



# NAVAL POSTGRADUATE SCHOOL

## THESIS

### **TERRORISM BASE POTENTIAL IN THE TRI-BORDER AREA OF LATIN AMERICA**

by

Pablo Halaburda

December 2006

Thesis Advisor:  
Second Reader:

Kalev Sepp  
Hy Rothstein

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**TERRORISM BASE POTENTIAL IN THE TRI-BORDER AREA OF LATIN  
AMERICA**

Pablo Halaburda  
Major, Paraguayan Army  
B.S., Paraguay Military Academy, 1989

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December 2006**

Author: Pablo Halaburda

Approved by: Kalev Sepp  
Thesis Advisor

Hy Rothstein  
Second Reader

Gordon McCormick  
Chairman, Department of Defense Analysis

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## **ABSTRACT**

This study of the Tri-Border Area of Latin America demonstrates the region is highly vulnerable to the penetration and development of illegal interests, and thus it is also vulnerable to terrorism. The Tri-Border Area is bounded by Puerto Iguazu, Argentina; Ciudad del Este, Paraguay; and Foz do Iguazu, Brazil. It has always been considered fertile ground for terrorists groups. Illicit activities are common, generating annually billions of dollars in money laundering, arms and drug trafficking, money and document forgery, and electronic media counterfeiting. This area offer terrorists potential financial sources, access to illegal arms and advanced technology, ease of movement and concealment, and a population in which to recruit new members. While the Tri-Border Area is not a major center of gravity in the Global War on Terrorism, compared to other centers of terrorist operations like the Near East or Europe, it has an important position in the strategy to combat international terrorism.

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## **I. GENERAL VIEW OF THE TRI-BORDER**

### **A. INTRODUCTION**

In this chapter, we will study the different aspects of the Tri-border area, its particular characteristics, the links of its people to terrorism, and the broad view that should be considered to study terrorist financing in general, and base particularly in the activities occurring in that region.

The Tri-Border of Latin America, is bounded by Puerto Iguazu, Argentina; Ciudad del Este, Paraguay; and Foz do Iguazu, Brazil. It has always been considered fertile ground for terrorists groups.

The Tri-Border is an area in which the rule of law does not exist. Illicit activities are common, generating annually billions of dollars in money laundering, arms and drug trafficking, money and document forgery, CD's counterfeiting. This area offer terrorists potential financial sources; the access to illegal arms and advanced technology; ease of movement and concealment; and a population in which to recruit new members. While the Tri-border actually does not represent a center of gravity in the Global War on Terrorism, it has an important position in the strategy to combat terrorism.

The Tri-border has been considered for many years the most active smuggling center of South America. It is the home of a big Muslim and Arab community composed of a Shiite majority, a Sunni minority, and a small group of Arab Christians that emigrated from Lebanon, Syria, Egypt and the Palestinian territories 50 years ago. Most of these Arab Immigrants are involved in commerce in the city of Ciudad del Este, but they live in the city of Foz de Iguazu, on the Brazilian side of the Iguazu River.

According to the expert in International terrorism John Price, "The economy of Ciudad del Este is dominated by illegal activities that concentrate in the smuggling of counterfeit products, software piracy and money laundering of the cocaine traffic profits.<sup>1</sup>

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<sup>1</sup> John Price, "International Terrorism in Latin America, a Broad and Costly Security Risk," InfoAmericas, October 2001, on the Internet [http://tendencias.infoamericas.com/article\\_archive/2001/1001/1001\\_regional\\_trends.htm](http://tendencias.infoamericas.com/article_archive/2001/1001/1001_regional_trends.htm), (accessed August 23, 2005).

Although Ciudad del Este has a population of only 300,000 inhabitants, it has approximately 55 banks and exchange houses. The U.S. estimates that US\$6 billions in illegal funds are laundered there, that is an amount of money equal to 50% of the Gross National Product of Paraguay. Carlos Altemberger, the chief of a Paraguayan antiterrorist unit, states that the terrorists finance their operations by sending money from Ciudad del Este to the Middle East.<sup>2</sup>

The ambassador Philip Wilcox, the former coordinator of antiterrorism for the Department of State, declared to the Foreign Affairs Committee of the House of Representatives of the U.S. that Hezbollah activities in the Tri-border has included drugs, smuggling and terrorism. Many people think that the Muslim community in the Tri-border has terrorist sympathizers with close links Hezbollah, Hamas, Islamic Jihad; and even Al-Qaeda.

Nevertheless, the Muslim leaders in the Tri-border say that the members of their communities are moderate and that they have lived in harmony with the rest of the population for many years, and have rejected the extremist opinions of terrorists.

The majority of the 20,000 Arab, Muslim inhabitants of the Tri-border state that it would be impossible for the terrorists to hide amongst them, and deny the accusation that the money they send to the Middle East is for Hezbollah activities. In contrast, a minority of Arab Muslims show their sympathy and financial support of Hezbollah, according to them it is a legitimate political party in Lebanon.

Argentineans authorities think that Hezbollah is active in the Tri-border. They blame Hezbollah operatives for the explosion of a car bomb close to the Israeli Embassy in Buenos Aires on March 17, 1992.

In addition, the position of Brazil and Paraguay are different from Argentina, first because neither of those countries has suffered a terrorist attack from these groups, and second, because the commercial and cultural relations are different from Argentina.

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<sup>2</sup> Rex Hudson, Terrorist and Organized Crime Groups in the Tri-Border Area (TBA) of South America, Federal Investigation Division, Library of Congress (Washington, DC: Government Press Office. [GPO], July 2003), p. 53.

In the middle of this situation, we will see a wide view of the geographic, social, economic and judicial theatre in the Tri-border area.

## **B. GEOGRAPHIC SITUATION**

The Tri-border area is located in the heart of South America between Argentina, Brazil and Paraguay.

The tri-border area covers a primary zone of a radius of 20 km; and a buffer zone of about 50 km radius; and a zone of influence of approximately 200 km radius.

## **C. ECONOMIC SITUATION**

The tri-border area generates six billion dollars in earnings each year; it is very hard to know the exact total amount exactly mainly because most of the transactions are done illegally, and the illegal system is established in order to fulfill its objectives:

- Avoid control
- Avoid taxation
- Hide the identity of the origin of revenues
- Generate greater revenue for smugglers
- Pay bribes
- Faster transactions(no bureaucracy)

The total economic movement in the area has declined from past decades. According to Paraguayan statistics, the 1970's was the consolidation of Ciudad del Este, the 1980's its best economic growth, and the 1990's its economic activities shifted towards illegal operations. This is still the trend.<sup>3</sup>

## **D. JUDICIAL SITUATION**

### **1. Migratory Norms**

The migratory norms permit the fluid transit of people from any country within the MERCOSUR (South common market). Those countries are Argentina, Brazil, Paraguay and Uruguay.

A difference should be noted between two related but distinct situations: the migration and the transitory movement of people.

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<sup>3</sup> Anthony Faiola, "U.S. Terrorist Search Reaches Paraguay: Black Market Border Hub Called Key Finance Center for Middle East Extremists," Washington Post, October 13, 2001, p. A21.

The transitory movement of persons in reality is not migratory, because people do not go with the intention to settle down, particularly between Brazil and Paraguay. Most citizens cross the Parana River by a bridge or take a ferry across it, go to work, and after work they go back to their home country.

We should look at migration from each category.

- Extra-zonal (from countries outside the MERCOSUR)
- Intra-zonal (from the countries in the MERCOSUR)
- Inter-national (between Brazil and Paraguay and vice versa)
- Inter-zonal (from within the same country)

Of the countries of the extra zone, we can name the citizens coming from the Middle East and the Far East, for the most part from Lebanon, Syria, China, India and others.

Regarding the Intra-zonal countries, it can be mentioned that the migrants from Argentina, Bolivia, Uruguay and some others from neighboring countries, are without much involvement in financial activities.

When the migration is Inter-national, it can be seen the most common case of the so called “Brasiguayos” who are Brazilians, many of them of Arab descent, who settle down in Paraguay, or vice versa, Paraguayans who live on the other side.<sup>4</sup>

These movements allow criminals to avoid Federal authorities, because they are moving constantly from one country to the other.

Inter-zonal movements occur more on the Paraguayan side, in the internal migration from rural zones to the city of Ciudad del Este.

## **2. Financial Norms**

The financial policies of the states of the MERCOSUR, are closely regulated, so we can see the performance of each country's central bank. These banks are the entities in charge of regulating and controlling the financial stock-exchange of their

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<sup>4</sup> According to Agostino *MARCHETTO*, Congreso Nacional sobre la Pastoral de la Movilidad Humana,” (10-14 marzo 2003), Veracruz, México.

countries. These controls are possible in Argentina and Brazil, but in Paraguay are done through the direct regulation of the Paraguayan Central Bank, for the reason that the stock exchange is not significant financially.

The banks and financial entities also have their own rules that are mainly the same in each country. They require some documentation and background checks of their customer, but generally they are very flexible in any transaction.

The U.S. has requested the MERCOSUR member countries to enact specific legislation in relation to money laundering and in particular regarding financing terrorist groups.<sup>5</sup>

### **3. Penalties Norms**

In the MERCOSUR countries, there has been implementation of general and special norms towards the prosecution of tax evasion and smuggling, and at the request of the United States (U.S.), terrorist financing as well.

In 1997 and 1998 in Paraguay, new laws and new rules of prosecution have been implemented. These new laws have determined new types of crimes, clarified existing ones, and given authorities a way to investigate, prove, try and sentence criminals.

### **4. Tax and Customs Norms**

Tax, customs and importation laws are fundamental to determine the financial and commercial behavior in the Tri-border.

In Paraguay, the taxation of import items is much less than the neighboring countries. For example, in Argentina, the rate is 23%, but in Paraguay it is 10%.

Even though in Paraguay the taxation is much less than in Brazil and Argentina, what really motivates the commerce is the avoidance of taxes for import goods. This is possible through the whole criminal system in the region.

### **5. International Treaties**

In relation to international treaties, the Tri-border area has to deal with citizens of many countries, with different treaties among them. Most of them are Brazilian or

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<sup>5</sup> Anthony Faiola, "U.S. Terrorist Search Reaches Paraguay: Black Market Border Hub Called Key Finance Center for Middle East Extremists," Washington Post, October 13, 2001, p. A21.

Paraguayan citizens, and the rest from the Middle or Far East. The case involving Barakat and his associates, who were linked to terrorist activities, are of Lebanese origin, but Barakat had Brazilian citizenship and the rest had Paraguayan citizenship.<sup>6</sup>

#### **E. GEOPOLITICAL SITUATION**

Geographically, the Tri-border area is situated where the ground, air and water routes converged. Geopolitically speaking, the Tri-border synthesizes within a rich zone, not only for the countries directly involved but also of world interest, such as the following.

**Strategic Situation:** is in the zone of a “Hinge” in which most commercial, River ports, and transport transactions take place.

The Tri-border is the commercial center for Paraguay, Northern Argentina, and Southern Brazil, and it will get even bigger since the dragging of the Parana River for its use as a waterway for bigger ships.

**Energy source:** Another important aspect lies in the big hydroelectric dams (Itaipu to the North, Yacyreta to the South), and the Guaraní natural water reserve that is right in the center of the area.

#### **F. DEMOGRAPHIC SITUATION**

The Tri-border zone directly involves approximately five million people, of which 20% are from Paraguay, 10% from Argentina, and 70% from Brazil. Agriculture, cattle raising are also significant trades of the zone, but the commercial part plays a much more vital role; there is a big urban concentration, but also an intense agricultural activity.

There are about 10,000 families of Arab descent in the Tri-border area, and this plays a strong psycho-social aspect that influences the decision the authorities are going to take when it concerns fighting terrorist support.

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<sup>6</sup> Other members of the group led by Barakat are Lebanese Mazen Ali Salah –also known as Salah Mazen Ali- and Lebanese-born Paraguayan Salah Mahmoud Fayad. Salah participated in many businesses as a front man for Barakat, and transferred money to Lebanon through banks in Iquique (Chile), New Jersey (US) and Hong Kong. Barakat and his gang carried out their terrorist activities without any problems until 9.11.01, but after that everything changed... *Panel: "Triple Frontera: Escenario de futuro o excepcion" VI Research and Education in Defense and Security Studies Seminal (REDES 2003). Santiago de Chile: October 27 - 30, 2003.*

## **G. CONTROL SITUATION**

Concerning the control situation, there are numerous causes that have to be considered at the moment. Evidently, there is a lack of control, failure, either obsolete or insufficient.

In the first place, there are two different systems of control within Brazil and Paraguay, and those are civilian (customs and police) and military.

In recent times, the military roles have been changing rapidly, to the point of carrying out missions that have to deal with ecologic, economic and political interest, things like natural resources trafficking (log traffic, indiscriminate fishing, animal traffic) drug trafficking, smuggling, immigration and at the present day, terrorism, are some of the new missions assign to the armed forces in the Tri-border, especially Brazil and Paraguay.

In Argentina, it is a little different, for the reason that Argentina is the only country that has two Paramilitary organizations that take care of the control and security of its dry border, rivers and sea. Those organizations are the Gendarmeria Nacional (National Gendarmerie) and the Prefectura Naval (coast guard), the Gendarmeria is in charge of the roads and bridges and patrolling the dry borders and the Prefecture is in charge of controlling the rivers and waterways.

These two organizations, which are considered security forces in Argentina, work with the immigration office, and are the armed arm of immigration, during the military governments they worked under the army and navy respectively, but after the democratic government came to power, they went under the Ministry of Interior.

The changing political structure and the lack of political will play a big influence in the corrupt system enduring, and also the semi-legitimate and semi-illegal businesses seem to not affected so much as is generally believed.

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## **II. GENERAL VIEW OF TERRORISM IN THE WORLD**

To start this chapter, we have to point out that the terrorism criteria is not the same worldwide, and since terror has so many different ways to be defined, just as there are so many cultures in the world, that is why we should try to see the concept of terrorism on one side and its evolution.

### **A. DEFINITION OF “TERRORISM”**

Defining terrorism puts us in a different semantically/culturally/historically way of seeing things, further of the grammatically conception, we cannot deny that in the perception of this word there are strong historic and cultural components, therefore, it will not be considered a terrorist act everywhere and every time. However, additional to this relative position, we cannot ignore the fact that a democratic-western view demands us to determine the terminology in which we are working.

Terrorism understood in a generic way is the line of conduct in which a person or a group try to terrorize to spread fear, panic, chaos, disorder or uncertainty in the targeted society, which is attacked through acts of violence, being preferred civilian victims.

In March of 2005, in the Madrid summit, the U.N. Secretary General took a institutional proposal to define terrorism in a world view in the following terms: “any act aim to cause death or severe bodily injuries to a civilian or a non-combatant when the purpose of the action, by its nature or context, is to intimidate a population or force a government or an international organization to carry out an act or to abstain itself to do it.”

Therefore, if the action has military or security forces as objectives, then we cannot talk about terrorism.

Due to its thematic complexity when it comes to defining terrorism, we will try to understand what is considered terrorism in this chapter.

### **B. EVOLUTION OF TERRORISM IN THE WORLD**

A very simplistic view would be of thinking that terrorism as we know it is due to barbarians that do not know how to live under a democracy.

When in 1995, a federal building in Oklahoma blew up as a result of a car bomb, killing 168 persons, immediately everybody suspected an Arab extremist. Years earlier, another building, the World trade center was targeted by Al-Qaeda involving Lebanese citizens, and most agencies thought of Middle Eastern terrorists.

Almost nobody expected at that moment that this type of crime was from inside the American society, specifically radical groups known as “milicias.”<sup>7</sup>

Nevertheless, terrorism exists from a long time ago. In the first century, there were sects like the “sicarii” in Palestine or the “haxxaxin” (assasins) in the twelfth century.<sup>8</sup>

Terror, as a way of political struggle, appears in governments with Robespierre and Saint Just (1791-1794), although it is hard to understand that it is not as old as humanity.

The word is of Latin origin and documents show that in the year 135 A.C. the Romans refer to the chief of the Jewish revolt that destructed Jerusalem, as terrorist.

Then in the eleventh century in Persia, the so-called assassins were operating, until they started killing Mayors, Governors and Califas. The activists of this sect called themselves “fidaiyyin,” and for them killing was a sacred act.<sup>9</sup>

More recently the Ku Klux Klan appeared, towards the end of the 19th century, or the Italian anarquists, both of this groups operated in a time and place where the massive media broadcast did not exist.

If we consider that the frontal fight or assassination was considered valid for many, we can understand why it is hard for certain groups of people to accept the concept of a terrorist, it is evidently negative to be defined as a terrorist. At the moment, Israelis and Palestinians accuse each other of terrorist acts, and some of their former leaders, like Menahem Beguein or Yasser Arafat were called terrorists by many. By assuming this

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<sup>7</sup> Edgar Bazán, “La Evolución del Terrorismo Moderno,” Pontificia Universidad Católica de Perú, <http://www.pucp.edu.pe/fac/comunic/periodismodigital/articulos>. (accessed August 2, 2004).

<sup>8</sup> Ibid.

<sup>9</sup> José Manuel Rivas Troitiño, “La actitud de beligerancia frente al terrorismo,” UCM, <http://dialnet.unirioja.es/servlet/listaticulos>. (accessed August 2, 2004).

term, terrorism, there is always a political struggle behind it. The axiom of Sun Tzu, kill one and you will frighten ten thousand, it keeps being the method chosen by those who resort to violence.

## **1. Synchronic-Geographic Evolution**

When compared with other regions of the world, the Western hemisphere does not attract the attention as a critical zone in the war against terrorism. Although terrorism in the region did not start in 9/11; the countries of Latin America have been fighting against internal sources of terrorism for many decades, and many of them still do. The international terrorist groups also have not hesitated to make the region an unsafe place for their enemies, and promote their cause, like the explosion of the Israeli embassy in Buenos Aires in 1992 and the Israeli mutual association in Argentina. The terrorist attacks in Bali, Indonesia and Mombassa, Kenya in 2002, show us that no region in the world is out of reach of the international terrorist organizations.

Taking a look at the terrorist activities in the world will present a wider view of the nexus.

### ***a. Terrorism in Europe***

In recent years, Europe has suffered great terrorist's attacks, with different actors and motivations then in decades before, such as the attacks in Spain and England, both were targeting civilians and in both cases, according to terrorist's messages, in violent and irrational response to the position of both countries with the U.S. in relation to the intervention in Iraq. National terrorist factions like the I.R.A., the Red Brigades, and E.T.A., among others have given their space to create terror, to groups associated with radical Islamic fundamentalist. Mainly because these national groups do not want to be associated with mass terror, like the Islamic fundamentalist, and each national group has its own agenda, in addition to not losing their local support.

Considering the last two centuries terrorism had more of an artisan way of attacking, full of anarchist principles, pseudo-patriotism and anti-imperialism, furthermore these components mutate and, transformed in sustained principles to ideologies of a group, being the combative socialist factor the most representative, but sub existing others like independent movements like in Spain and Northern Ireland.

The constitution of the European Union created a self controlled, practical and efficient community, however being prey of the global decisions and the social/cultural/ethnic aperture has brought risks to the internal security of the states, as well as to the personal security of its citizens.

***b. Terrorism in America***

Just as in Europe, in the Americas the strength of the attacks and terrorists activities has been felt, the most symbolic and deadly was 9/11 in the heart of New York. Also before that, Buenos Aires suffered the attack against a Jewish institution in 1994, but these cases are emblematic, because they were carried out by outside terrorists, and did not happen in countries that had years of domestic terrorist violence, like Colombia and Peru. Although the scenarios are different then a few decades ago, where the Latin American regimes (supported by the U.S.), were fighting communist guerrillas (backed by the Soviet Union), there are still a few terrorist activities link to drug traffic and the organized mafia.

Evidentially after 9/11 the need for the U.S. to look at and help Latin America in the war against terrorism came up, since the enemy could be hiding anywhere in the globe. Towards the end of 2001, there was not any confirmed information of the presence of Al-Qaeda in Latin America.

Even though, the finance of terrorism kept being a huge concern in the region. The suspicious financial activities of people link to Hezbollah and Hamas in the tri-border area (Argentina, Brazil and Paraguay) took these three countries to take coordinated measures in 2002 to investigate and interrupt some illicit activities. Argentina, Brazil and Paraguay also invited the U.S. to formed part of the ‘Three plus one’ a new mechanism of antiterrorism consult and cooperation, to analyze a combat the terrorist related threat in the tri-border. This mechanism is an excellent example of terrorist prevention in the region.

***c. Terrorism in Asia***

Asia is a vast continent, so dividing it by regions will be easier to focus on the different terrorist activities: the Middle East, Far East, and North East, each of which has a particular security and terrorist issue.

Middle East: this is the region where the strongest fundamentalist Islamic activities take place, against the western interest and Israel.

This is a zone of strong religious, cultural and economic passions, for many centuries men have fought for the control of this region. In modern times, the economic system impose, and the strong influence of the western society in the political, social and cultural structure has revitalized the concept of an armed struggle against the west.

Far East: Most of the countries of South East Asia have had a relative calm concerning classic terrorist activities, that is why the attack in the Tokyo metro system in 1995 and attributed to the sect “ the supreme truth” headed by Yasuo Hayashi, that took the lives of 12 people, gained a lot of notoriety.

There have been other attacks in Singapore and recently in Bali, Indonesia. According to its past this region has a conflicting history that make the appearance of this acts most likely (recent colonialist past, military regimes, communist influence, clash of cultures).

In 2004, a car bomb exploded in front of the Australian embassy in Jakarta, killing at least eight people and wounding 156, the revived the terrorist spectrum, two days after the 3<sup>rd</sup> anniversary of the 9/11 attacks.

Australian authorities suspect of Jemaa Islamiya, an Islamic terrorist group link to Al-Qaeda. The archipelago has been target of bloody terrorist attacks in recent years, especially the attack in Bali, that cause the lives of 202 people in October 2002, most of them Australians and, against the Marriot hotel with 12 dead in August 2003 in Yakarta.

North East: In this point, the vast region of the former Soviet Union, and there have been a few relevant cases: the attacks on the Moscow metro, bombings in Moscow, the Chechen conflict and, the bombings of two Russian airliners. The most wanted man by the Kremlin, the Chechen leader Masjadov is still hiding in Chechnya and conducting attacks to call for the world attention, like the hostage taking in the Nord Orst theatre and in the school in Beslan.

#### *d. Terrorism in Africa*

Terrorism in Africa has cultural and political roots, given the varieties of ethnic groups, Africa has been a continent where the most brutal form of human atrocities were committed. However, terrorist activities appeared in the continent in the 20<sup>th</sup> century, as a mean to fight European colonialism. The struggle for independence was motivated mainly by the former Soviet Union, which not only armed the national guerrillas in each country but also link them into a African coalition for independence.

Two types of armed struggle happen in Africa, in the North (Saharan) and in the South (sub Saharan). In the first case the was a strong political and cultural component, much of it inherited from the cold war, the typical example are Libya and Morocco, who had terrorist cell operating internally and externally.

In the Sub Saharan part, there has been a constant fight for power and is mostly related to ethnic differences and a long history of rivalry.

### **2. Diachronic Evolution**

Terrorism as we know it today starts after World War I, and there are three fundamental factors that initiated, the communist expansion in Europe, the appearance of fundamentalist religious doctrines in Muslim countries, and the independence movements in Africa and South East Asia.

Depending of the motives, there were different type of terrorist movements, ideological, ethnic and independent claim and religious fundamentalist.

The motives are not exclusives and in certain occasions, they are mingled, making it a very complex phenomenon, in which putting a group in one category is most difficult.

In the case of ideological terrorism, it increases after the communist triumph in the ex-U.S.S.R., China, Cuba, etc. The method to conquered power was not through a legal political action, but through terrorist movements or another type of movements known as Guerrillas or a combination of both. Even though it is most common to associate this category with leftist movements, there also exists rightist movement, but very few.

The groups of ethnic and independent claim are the oldest, and their actions go back a few centuries. The ethnic ones are conducted by an ethnic or cultural minority, that seeks a way for the majority to listen to their demands, and that considers necessary to have its own autonomous government, they are often referred to as separatist movement. The independent movements occurred wherever the nationals were the majority.

Fundamentalist terrorism includes groups whose objective is to target all those who do not have their same religious beliefs (it could be any religion). Link sometimes to separatist movements, is the group that generates the most terror due to its violent and irrational methods.

To this group belong the radical Muslim extremist, Mawlana Abu'l A'la Mawdadi (1903-1979) was the man who gave the ideological, philosophical, and religious foundation in which all Islamic fundamentalist groups would be base on. He was also the founder of the first fundamentalist group: El Jamaat I Islami.<sup>10</sup>

### **3. Technical Evolution**

The evolution technique has given terrorists a more deadly way to cause terror, and is becoming harder to find them; terrorism has evolved just as civilization has in transport, communication, organization, assistance and finance. A century ago without the discovery of high explosives there was not much harm a few men could do to create terror.

Terrorist are keeping up with evolution, adapting and thinking how to improve their attacks using the recent developments in every field. In addition, there has been initiated a new form of terrorism: bioterrorism (small scale anthrax attacks).

The telephone, fax, computers and the Internet are used by terrorists as means of communication; the globalization and the ease of traveling from one continent to the other have helped communities as well as the terrorists.

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<sup>10</sup> "La Evolución del Terrorismo Moderno," <http://www.pucp.edu.pe/fac/comunic/periodismodigital/articulos/terrorismo2.htm>. (accessed August 2, 2004).

The finance of terrorism, obtaining funds, to carry out their attacks has played a vital role in this part. It is almost in the past the finance of terrorist activities by cash, since it is very difficult to carry large amounts of cash across borders, terrorist resort to wire transfers, stock exchange, etc. all the means available in the civilized world are used by those who try to create chaos in a society.

Terrorist have adapted in most of the societies that they wish to attack, for the most part through the help of organized crime and corrupted officials, especially in the third world, which are countries that are used as hubs, to raise funds and move freely to meet their objectives.

### **C. TERRORIST OBJECTIVES**

Historically terrorist objectives have been of strategic military importance, military or government installations, (transportation and communications) were the preferred ones since they often were not heavily guarded or very hard to keep guarded.

Over the years their objectives have changed, especially for the Islamic fundamentalist groups, these groups target large parts of the civilian population in order to create the most casualties and to have a strong sociological impact.

On the contrary, groups like the I.R.A. and E.T.A. have always planned their objectives as to not lose support of the public for their cause.

The diversification of the terrorist's objectives requires police and military to implement a different type of method of action, control, prevention, and retaliation.

### **D. CLASH OF FUNDAMENTALISMS**

Previously we mentioned fundamentalisms in other terms, according to the rational or irrational positions maintained by terrorist groups they respond to strong ideas that commonly do not have a possibility of discussion or analysis for a change.

#### **1. Economic Fundamentalism**

The first and major issue that every human activity is supported on is the economy. Nobody escapes the reality that without an economic support any human enterprise could not have the possibility of success.



The world economy has always been governed by ideologies that sustained it, the mercantilism of the Middle Ages required the accumulation of precious metals to consider the wealth of the nations, this obliged the exploitation of the weakest by the strongest.

Later, colonialism and industrialization proclaimed production above all things and left the human being on a second level.

Communism projected a “renew” vision of the human being and a “worker’s paradise” without the exploitation of the masses, which turn to be the opposite.

In most cases the imposition of economic criteria created antagonist groups that in its moment they confronted each other, in a structured way or not, regularly or not, and this confrontation was the ideal ground for ideologists and terrorists militants from the past and today (independents, syndicates, anarchists, Bolsheviks, etc.).

## **2. Political Fundamentalism**

The classic political fundamentalism has been seen by East or West tendencies, political systems of communist nature of the Soviet wing or China particularly on one side, and on the other side the western/democratic system.

The access to power, maintaining it and enjoying it is all linked to the perception of man throughout different times. Maquiaveli has portrait a global view of the theory of the “power of the prince.”

Being politics “the art to come to power,” it can be said that its constant search has taken a shortcut through terrorism many times, throughout history the have been numerous times that an armed wing of a group or nation, without the ethics that are supposed to hold the political institutions, tries to come to power using violence.

### **3. Cultural Fundamentalism**

Cultural fundamentalism is found mainly in those groups of people who have deeply-held beliefs, particularly those defended by religious institutions. There has been armed struggle based on religious beliefs in the Old Testament, in the crusades in the Middle Ages, Catholic/Protestant conflict in Europe and Jewish/Muslim conflict in the Middle East. Although these confrontations have a high theology issue, it also has been a cultural problem.

### **E. MAIN ACTIVE TERRORIST GROUPS**

These are some of the main terrorist groups who are a threat to democratic governments.

#### **1. Abu Sayaf**

Filipino terrorist group. Their objective is to implement an Islamic state in the Southern region (Mindanao). It is believed that many of their members were trained by Afghan mujahedin. Their main activities are assassination and extortion.

#### **2. ELN**

The National Liberation Army is the second largest insurgent group in Colombia. It has a Marxist ideology. This group was strongly supported by Cuba in the past and is believed to still received aid on a smaller scale. It has caused huge losses in oil production in Colombia.

#### **3. ETA**

Euzkadi Ta Askatasuna (Basque Fatherland and Liberty) is the main terrorist group in Spain. Their main forms of attacks include bombings, kidnappings and extortion. Most of their targets are government officials and Basque businessmen. Their main demand is the independence of what they consider the Basque country (Bilbao and Vizcaya).

#### **4. FARC**

Revolutionary Armed Forces of Colombia. It is the primary and the oldest terrorist group in Colombia. Founded in 1964, it holds to Marxist-Leninist ideology and is one of the few groups that represent a real threat to the state.

## **5. Islamic Jihad**

This is one of the main Palestinian terrorist groups along with Hamas. It was founded in 1970, but it was not until the last two decades that it gained notoriety in its attacks. Their typical means of attack are car bombs and suicide bombers.

## **6. Hamas**

This is the most violent Palestinian group. Although only formed in 1998, its attacks have made them an important obstacle in the Middle East peace process. Like Islamic Jihad, the use of suicide bombers is the foremost tactic of this group.

## **7. Hezbollah**

This group operates in Lebanon. It is formed by Palestinian refugees, is supported by Iran, Syria, and Lebanon and carries out constant attacks against Israel using Katyusha rockets.<sup>11</sup> Their most notorious attack was against the U.S. Marines barracks in Beirut in 1984.

## **8. IRA**

The Irish Republican Army, one of the oldest group, is of Catholic background and operates in Northern Ireland, their main objective is to liberate Northern Ireland from British rule. At present it has accorded to a peace agreement, although a dissident group broke away, calling themselves the real I.R.A.

## **9. Shining Path**

Although it was founded in the 1970's by Abimael Guzman, it was in 1980 that it started its armed struggle. It was the most violent group in South America until in 1992 when its leader Guzman was captured by the Peruvian authorities and a rapid decline of its activities occurred. At the moment, it operates in remote jungle and mountain areas.

## **10. Al-Qaeda**

Founded by Osama Bin Laden, a wealthy Saudi, it is the most dangerous group, and has carried out the attacks against U.S. embassies in Africa, the U.S.S. Cole and the WTC in 9/11. It has global links and is the major terrorist threat to the U.S.

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<sup>11</sup> Katyusha means "Little Kate" in Russian, a girl's name.

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### III. TERRORISM, POLITICS AND MONEY

The importance of the economic function is so great inside the structure of any terrorist group that many times is difficult to know which is first (the egg or the hen) the terrorist activity to have access to money or money to carry out terrorist activities.

In particular cases like the ones involving Al-Qaeda is notorious the fact that the economic capacity allowed much of their activity, in other cases linked to the Colombian drug trafficking for example, kidnapping and extortion are methods used to have access to funds that sustain the terrorist apparatus that supports drug trafficking activities.

After four years since 9/11 it is clear that money and not politics or ideology, is the engine of the armed struggle. This is the unexpected and disconcerted truth that an economic analysis reveals after five decades of terrorism.

During the decolonization period after World War II, the armed organizations depended economically on their wealthy patrons, the Old colonial powers. In Indochina in 1949, France trained and financed the “Maquis,” an armed guerrilla whose objective was to obstruct the Soviet expansion in the French colonies.<sup>12</sup>

State patronized terrorism became a typical element during the Cold War. The U.S. and the Soviet Union financed terrorist groups to fight wars in their interest in their area of influence. The high cost of this war, plus the unpopularity of the western public, made the western powers resort to a mixed legal and illegal method to canalize the money abroad. In 1984, in the middle of a generalized opposition in the participation of the U.S. in the Nicaraguan conflict, the Reagan administration obtained the approval of congress to send a financial aid package for \$24 million, which was used to arm 2,000 contras.

Although this amount kept increasing every year since then, until the Iran-Contras scandal, it was not enough to afford the high cost of supporting the Contras. To make up for this deficit, different covert operations were in progress.

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<sup>12</sup> Peter Harclerode, *Fighting Dirty*, (London: Cassell, 2001), 81.

Oliver North, established a plan to defraud American insurance companies and banks, that generated around \$1 billion annually for the Contra. In another illegal project, American made weapons bought by the C.I.A. were sold to Iran, by Israelis and Saudis businessmen, who charged a high commission for acting as middlemen. The Iranian payments were distributed to numbered Swiss bank accounts controlled by the leaders of the Contra.<sup>13</sup> The American taxpayers paid for the cost of the operations, legal or illegal, as always the economic burden of financing a war falls on national economy of the patron.

Terrorism has always been a costly business. In the mid 1970's, the Red Brigades, the Italian terrorist group of Marxist nature, had a budget of around \$8 to \$10 million,<sup>14</sup> at the time it was more or less what a medium to large commercial company operating in Northern Italy would be earning. To the contrary of the U.S., that funded its groups with money, the Soviet Union never gave Marxist groups money in a direct way, instead it gave them free training, weapons and ammunitions. Groups like the Red Brigades or Baader Meinhof gang had to generate their own resources. This required entrepreneur cleverness rather than military knowledge.

The desire to obtain financial independence of its patrons, along with increasing costs of terrorist activities, made the terrorist organizations search for formulas to have self sufficiency. In the 1970's Yasser Arafat organized the transition of the PLO from an organization patronized by the state to an armed group economically independent, by developing the first model of what it was later known as privatized terrorism. During the civil war in Lebanon, Arafat manage to set up shell-state, the Palestinian state, a de facto state sustained by a develop socioeconomic infrastructure without its nucleus, the right to self determination.

In the last 30 years, others shell-states have appeared in war zones or places where a high degree of instability exists. Colombia, Peru, Chechnya, Afghanistan and now Iraq, they have become perfect flourished grounds for this type of entity. The

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<sup>13</sup> Al Martin, *The Conspirators*, (Montana: National Liberty Press, 2001) p. 28; John Cooley, *Unholy Wars*, (London: Pluto Press, 2000); John Stockwell, *In Search of Enemies: A CIA Story*, (New York: W.W. Norton, 1979).

<sup>14</sup> Claire Sterling, *The Terror Network, The Secret War of International Terrorism*, (London: Weidenfeld and Nicolson, 1981).

terrorist groups obtain the military control of the territory and following that they destroy the existent socioeconomic infrastructure or what is left of it. Its final goal is to replace this structure with its own economic infrastructure, an economic system created exclusively to feed the armed struggle. The attacks in 2003 against the U.N. compound and Red Cross in Iraq are part of this strategy, as well as the kidnappings of workers of humanitarian organizations in Baghdad.

The key for survival for shell-states lies on their finances and in interdependence with the traditional economies. The Palestinian shell-state was governed like a legitimate *de facto* state; for example a 5% tax was paid by Palestinian who worked abroad. The Arab countries that had Palestinian workers living within their borders were responsible of receiving the tax. Money generated in a legal or illegal way was invested in legitimate activities by the International finance market.

In 1976 after the legendary robbery of the British Middle East bank, Arafat chartered an airplane and took part of the bounty that corresponded to the P.L.O. to Switzerland, to invest; the other members of the robbery, the Christians Phalanx and the Corsican mafia, used their share to buy arms.

C.I.A. estimates show that in 1990 the P.L.O. total wealth was around 8 to 14 billion dollars. If that amount is taken as the GDP of the P.L.O., then in that time it was superior to many Arab countries with almost the same population, like in the case of Yemen (6.5 billion dollars), Bahrain (6 billion dollars) and Jordan (10.6 billion dollars).<sup>15</sup>

To the proportion of the increase of wealth of Palestine, the same happened to the interdependence with the economy of its neighbor, Israel. In 1987 the minister of economy of Israel Adi Amorai released a delivery man of the P.L.O. that the Israelis had in custody after arresting him when he tried to cross the Allenby bridge, the point of transit between Jordan and Israel. The man was carrying a briefcase with a million U.S. dollars in cash. Amorai knew that the money was going to be changed into shekels and that it was going to be spent in Israel, and the influx of money was necessary for Israel's economy that was suffering from inflation.

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<sup>15</sup> Neil C. Livingstone and David Halevy, *Inside the PLO* (New York: William Morrow, 1990) Chapter 5.

In the 1990's, the greatest deregulation of the International economic and financial markets boosted the globalization of terrorism. To the amount of the economic and financial barriers open, terrorist groups established more economic ties among them, and became transnational, this means that they acquired the capacity of raising money in other countries to operate in more territories. The enterprise of Osama Bin Laden, financial connections aided his men to carry out attacks against western interest in the Muslim world before 9/11, Al-Qaeda is a true transnational phenomenon and is highly diversified.

The globalization of terrorism increased extraordinarily the interdependence of terrorist money and the traditional economies. While Bin Laden was residing in Sudan, he bought 70% of Gum Arabic Ltd., a company that holds a monopoly of this product<sup>16</sup> (80% of the annual production). The major importer of Arabic gum is the U.S., which has an especial agreement of prices with the provider. In 1998, the decision of the Clinton administration to impose sanctions to Sudan had to face the pressure of the opposition of the groups that represented American importers of the Arabic gum. Finally, they convinced the government to exclude it from the list of products subject to sanction. Their argument was very simple: the sanctions would end up damaging American importers....Why? Because the Sudanese were going to sell the product to the French, the second biggest importer, who would then offer it to the Americans at a higher price.<sup>17</sup>

This event shows how much the economy of terror and the Western economy are linked. The terrorist leaders are aware of the degree of dependency that exists between the traditional economies, and the new economy of terror whose economic system is run by terrorist groups whose aim is to self finance the armed struggle.

In the 1990's bin Laden announced a "fatwa" it urged his followers not to attack Saudi Arabia because the earnings of the oil industry were necessary to consolidate the Islamic revolution. These earnings came from legal businesses owned by Saudis that supported Al-Qaeda. These wealthy Saudis found a way to enter the new economy of

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<sup>16</sup> The Arabic gum is used to hold the impression in newspapers, in liquid solutions to prevent the separation in candies.

<sup>17</sup> Peter Benesh, U.S. need for Obscure Sudan Export Help bin Laden?, Investor's Business Daily, 21 September 2001.



terror by making donations or participating in charity acts, which did not constitute an illegal activity. The “fatwa” was withdrawn in the spring of 2003, when Al-Qaeda carried out the first major attack in Saudi Arabia. Although Al-Qaeda attacked Saudi Arabia, it was more of a warning with the intention of killing westerners, especially American citizens, since Al-Qaeda could at any given time struck a major blow to the Saudi oil industry, which is very vulnerable with hundred miles of pipelines.

Western corporations many times are aware that they are doing business with groups that have close links with the illegal economy of terror. One method use to finance armed Islamic groups has been smuggling electronic products in Asia. According to Daniel Pearl, the Wall Street reporter that was kidnapped and assassinated by Jaish-I-Mohammed (the army of Mohamed) in Pakistan, Sony Corporation used a smuggling network in Asia as part of its global strategy in the region.<sup>18</sup> The consumers also depend on the money of terror. In the Tri-Border region in Latin America, reports state that Arabs connected to Hamas and Hezbollah run a formidable money laundering business.<sup>19</sup>

Without any doubt, the most damaging effect of the deregulation of the markets has been the fusion of the new economy of terror with the international illegal and criminal economy. This phenomenon took place in the 1990’s due to the deregulation of the international financial markets. To the extent that the economic barriers were eliminated, the armed groups were capable of uniting with each other and also with organized crime. Dirty money was laundered using the same channels and bought arms using the same providers. Today this new market has value of approximately 1.500 billion dollars, which makes it superior to the GDP of the United Kingdom. This amount could be broken up in the following way:

- 500 billion dollars in concept of tax evasion, money that is moved around illegally from country to country without being detected or declared;<sup>20</sup>
- 500 billion dollars in what is called Gross Criminal Product, money generated principally by criminal organizations.<sup>21</sup>

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<sup>18</sup> Daniel Pearl and Steve Stecklow, “Taliban Banned TV but Collected Profits on Smuggled Sonys” Wall Street Journal, 9 January 2002.

<sup>19</sup> Loretta Napoleon, *Modern Jihad, tracing the dollars behind the terror networks*.

<sup>20</sup> Raymond Baker, “Money Laundering and Flight Capital: The Impact on Private Banking,” Government Affairs Committee of the Senate, Permanent Sub-committee of Investigations, 10 November 1999.

The biggest part of these 1.500 billions of dollars reverts on the Western economies and it recycles in the U.S. and Europe. It is a crucial element in the money flux of these economies.

Even more astonishing is the discovery of the interdependence between the illegal/terror economy and the offer of U.S. currency. The currency of exchange of this economy is the U.S. dollar, specifically 100 dollar bills. Arms, drugs, human traffic; all illegal activities are transacted in U.S. currency. The growth of this economy is aided by the annual injection of new dollars.

Recent studies of the Federal Reserve of St. Louis show that since 1960 the reserve of new issue dollars in the U.S. and taken abroad to not return has increased continuously.<sup>22</sup>

In 2000 two thirds of the monetary M1 mass of the U.S., equivalent to 500 billion dollars, came out of the U.S. monetary system to then stay abroad.<sup>23</sup> This amount does not include the reserve dollars that the central banks keep in form of foreign exchange. If this statistics are correct, then the monetary growth rate of the illegal/terror economy is greater than the U.S. economy.

Given that the dollar is considered as the foreign exchange reserve, the amounts of dollars that are kept abroad are a considerable source of income for the U.S. treasury, through the benefits of monetization (seignorage). In other words, the U.S. treasury can emit treasury bonds and borrow against the total dollars reserve in the world, not only against the reserves that are in the U.S.

To conclude, the interdependence between the Western economies and the illegal/terror economies is so deeply mingled that the unilateral measures to be taken to cut these links could be counterproductive for Western economies. The Patriot Act, for example, has had an impact on the dollar. The recent devalue of the dollar seems to be

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<sup>21</sup> Kimberley L. Thachuck, Terrorism's Financial Lifeline: Can it be Severed?, Strategic Forum, National Defense Institute of Strategic Studies, Washington D.C., No. 191, May 2002.

<sup>22</sup> Richard D. Poter and Ruth A. Judson, The Locations of U.S. Currency: How Much Is Abroad? (Federal Reserve of St. Louis, 1996)

<sup>23</sup> Richard G. Anderson and Robert H. Rasche, The Domestic Adjusted Monetary Base, work document 2000-2002, Federal Reserve Bank of St. Louis, [www.research.stlouisfed.org](http://www.research.stlouisfed.org), (accessed August 2, 2004).

related with the tendencies of legal and illegal business in Asia, which predominantly carried out transactions in dollars. Shifting to Euros allows avoiding the restrictions imposed by the Patriot Act and also for the illegal/terror economy to continue growing.

Any intent to stop the illegal/terror economy will have to take in account the interdependencies and be the result of a coordinated strategy of multilateral form.

## **A. FINANCIAL SYSTEMS**

There are two main sub divisions of financial sources, although there could be some new way in the future, it will give us a view on how to look at it methodologically.

### **1. Illegal Sources**

The illegal sources are the ones achieved outside the law, so their spectrum is very wide, it could include from kidnappings to pseudo legitimate activities (production and smuggling of permitted products). The classic illegal sources are found in crimes against the patrimony (historically assaults), where robberies, fraud, extortions, blackmail, etc. are found. In the last decade, kidnappings and life threats have increased in various parts of the world, the most emblematic are carried out by the FARC in Colombia.

Also in South East Asia and South America drug traffic related crimes are entwined with killings, and against the democratic political institutions. Organized crimes groups and terrorists also gain advantage of an economic/political/crime competition like counterfeiting. As a result, it can be found statistically that countries of the former Soviet Union and China like the main centers for international counterfeiting, either through software counterfeiting or the production of products that violate the Copyright system.

Also there are two typical crimes that through time have been “helping” the expansion of terrorist activities: Counterfeiting dollars and arms trafficking, existing here as well as in drug trafficking, a symbiotic relation between the ease that provides the terrorist organization, the revenues gained from the traffic and counterfeiting, and the interests managed behind them.

Every illegal activity could potentially serve terrorist goals, however, here are the principal ones that are related to our topic. Lately it could be noticed that illegal

administrative activities like tax evasion, author rights evasion, etc. have turned into real potential source for terrorist financing, since the moment it escapes the institutional control of the states, it gets immunity and impunity from legality, and gives them the strength to seize hold of any type of illegal activity.

## **2. Legal Sources**

In this issue it can be said that legal sources could well be found in licit activities done through illicit capital investments, that cannot be trace then it should necessarily be considered activities within a covert legality.

Many legal sources have come from governments, it could be seen in recent history the clear links and support that existed between some governments and the exportation of terrorism or freedom ideas to other latitudes, like Cuba and its links to Central American and African terrorism, China and its involvement in South East Asia, North Korea, Libya and previously the Soviet Union.

These countries set aside part of their official budget to aid and support activities to entities or people link directly to terrorism, when they did not sent it directly to other satellite states that openly supported the development of terrorism.

It is astonishing the way it operated in the 1960's and 1970's, the Eastern powers through satellite states like Cuba (Che Guevara's actions in Latin America and Africa, and his links with butchers like Pierre Mulele and Laurent Kabila in Central Africa, and the Cuban support to Angolans guerillas).<sup>24</sup>

## **B. CONCEPT OF SOURCE**

Of what has been seen up to now, the concept of source can be made in direct relation to financing. The financial source or income, or the generation of resources consists of tasks that generated wealth that in conjunction allowed people to gather an economic capacity to have decision power over specific points of their interest.

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<sup>24</sup> Alvaro Vargas Llosa, "Diez Tiros al Che Guevara" ABC Color Newspaper, economic supplement, Asuncion, October 16, 2005.

It can be seen that this concept of source is independent of its legality or illegality, in a concept that is more practical than moral, it was pointed out previously some legal and illegal sources that have in common a capacity to make possible to complete matters through the necessary economic support.

### **C. EVOLUTION OF THE FINANCIAL CONCEPT**

The financial evolution of terrorist activities it is directly related with the concept of terrorism, with its objectives and the perception of source.

The *New York Times* reported that an Argentinean judge had issued an arrest warrant for four Iranian government officials related to the terrorist attacks in 1994 in the Jewish Community Center in Buenos Aires (AMIA) that killed 85 people. The files that contain 400 pages dated 8 March, are the first formal accusation that involves members of the Iranian government and Hezbollah in the incident.

The 6<sup>th</sup> of March, the Miami Herald reported that a man of Venezuelan nationality was arrested at the Gatwick airport in London because he was hiding a grenade in his backpack. The man flew in a British Airway flight and had travel through Afghanistan, Sudan and other countries link to international terrorism. Hazil Mohamad Rahaman is in prison under terrorism charges, he said that he bought the grenade in Caracas for \$125.

Business Day published an article about the new measures in maritime security applied by the U.S. for cargo shipments. Since December 1, 2002, U.S. Custom service requires the electronic submission of the cargo manifest 24 hours before the ship arrives to port. The new regulation impose by the International Maritime Organization (IMO) states that the ships have to be equipped with a automatic identification system for the new identification procedures of the merchant marine. These regulations came into effect in July 2004 with modifications of the Conventions of Life Safety in the Sea. While these measures raised additional costs, the measures of the Borneo bulletin will bring an increment in commerce efficiency due to a faster movement of merchandise and lower risk; this will allow transferring more resources to solve issues of high risk. The U.S. ambassador for APEC, Larry Greenwood declares that “by controlling terrorism, not only we will obtain more benefits, more stability, or more trust in investments, but also these measures will help commerce.”

The newspaper *El País* of Uruguay, reported that documents found in a house in Montevideo belonging to a person linked to the E.T.A., revealed that terrorists were discussing plans to attack Uruguayan interests in Spain and Uruguay. This was to punish Uruguay for its support to Spain's efforts to break up the Basque terrorist organization and arrest its members. In November, the Uruguayan newspapers *La República* and *El Observador* published articles about the car belonging to the director of Uruguayan customs, Víctor Lissidini, raked by gunfire after he received threats from Paraguayan CD counterfeiters.

The threats were made because two shipments of CD's were seized that were destined to the Tri-border area city of Ciudad del Este in Paraguay. The joint operation of Paraguayan and Uruguayan customs agencies led to the seizure of more than 1.2 million counterfeit CD's. It is believed that the revenue generated from this illegal activity are used to finance Arab terrorist groups.

In February the *World Money Laundering Report: Online* published an article about the embargo of undeclared cash on the Canadian border.

Following the promulgation of the Canadian law of procedures on terrorist financing in 2002, regulations were published which required the declaration of the transfer of any amount of more than 10,000 Canadian dollars. Although there are no restrictions on moving money, the Canadian government is able to arrest the undeclared monies.

In the first five weeks of the new policy, more than 2.75 million Canadian dollars were seized. One case involved 800,000 Canadian dollars hidden in the side panels of a van trying to cross from British Columbia to the U.S.

Brazilian newspapers have written about Khalid Sheik Mohammed, the recently captured Al-Qaeda chief of operations, who visited the Tri-border area in 1995. At that time then there was not a warrant for his arrest.

In the next chapter we will focus on the Tri-border area, with its entire economic, social, judicial and regional phenomenon that make possible the financing of terrorism from that area.

## **IV. TRI-BORDER ZONES**

### **A. TRI-BORDER AREA**

The Tri-border area is situated in a privileged geopolitical and economic zone in South America. In the Brazilian zone tourist attractions are exploited efficiently, agriculture and cattle raising are the main activities, and some minor industries have established in the area; as well as in the Argentinean zone. In Paraguayan zone tourism is almost nonexistent, commerce (legal and illegal) and agriculture being the main activities.

### **B. ALTO PARANA AND CIUDAD DEL ESTE**

The political region (department) in which Ciudad del Este is located is called Alto Parana, other important cities in this department are Presidente Franco, Hernandarias, Minga Guazu, all of which are close and surrounding Ciudad del Este.

In Ciudad del Este specifically, is where most commercial transactions take place, the financiers and business owners are in their majority Brazilian citizens of Muslim descent or Chinese immigrants, who live predominantly in Foz do Iguazu (Brazilian side).

#### **1. Sale and Copyright**

According to publications and studies, 90% of the lucrative activities in Ciudad del Este are not complying with copyright laws. The author rights, brand and patents are constantly violated, in a covert way sometimes and in broad daylight most of the times.

The copyright culturally does not have the same meaning for a Paraguayan citizen than for a European or U.S. citizen, because of cultural practices that it will not be analyzed in depth in this work;<sup>25</sup> however, it conditions the position of society itself in relation to this type of punishable acts.

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<sup>25</sup> The Paraguayan population, has by cultural and history deep roots with the conception of its world, the Guaraní Indians had a very different idea of private property than the Europeans, for them all things belong to nature and to anybody who could use it.

Later the Spaniards (in a zone that was extremely poor according to the mercantilist criteria of the time) were inclined to steal from the crown, evading taxes and in general survive in the region the best they could.

After independence from Spain, a socialist system was placed and the particular vision of private property continued, during General Stroessner's government due to a socio-political convenience a land distribution system and social assistance to the poor made difficult to re-educate the citizen about the respect for private property.

The greater part of illegal activities link to counterfeiting are finance by Brazilians of Arab or Chinese descent, nevertheless most people that are prosecuted are Paraguayans, the people in the last link of the financial spiral (workers, cargo handlers or sellers).

## 2. Smuggling Scheme

According to investigations made by Paraguayan written media, mainly by ABC and Vanguardia newspapers, 35 to 40 million dollars worth of merchandise comes into Paraguay monthly. Most of these products that are bought in the free zone of Iquique (Chile), are smuggled into Paraguay; the other part is sub value. In the smuggling scheme are involved custom officials, politicians and businessmen. They supply 70% of small and medium commerce of Ciudad del Este. Everything functions with a great informality and illegality that allows bringing cargoes in the name of the President Nicanor Duarte Frutos, identified with the initials PNDF.<sup>26</sup>

Buyers: The majority are businessmen of Arab origin, which have their business and warehouses in Ciudad del Este. They are small to medium level businessmen.
Acquisition: Its made in the Iquique free zone (Chile ).
Products: The preferred are toys, tools, electronics, clothes and dishes. Some of the imported goods are prohibited.
Transport and Import: It is done by the firm “ Importadora Guarani Limitada,” which picks up the shipment in the Iquique free zone and delivers it in Ciudad del Este. Almost all the shipment is smuggled in, a small part is sub value.
Amount: It is estimated that 35 to 40 million dollars worth of products come in monthly.

Table 1. Smuggling Scheme

There are schemes link to the control system (mainly customs), newspapers reported the falsification and tax evasion scheme that was broken up, four people were detained along with the retention of two containers that were cloned and the seizure of two million virgin CDs, of the brand Dr Hunk, besides license plates and other forged documents.

The case involves a Chinese man by the name of Hou Wei Jen, who was the owner of the merchandise. The man rented a place used as a container storage in the

<sup>26</sup> Guerin Hector, Fermin Jara. *The Smuggling of Everyday*. ABC newspaper. Asuncion, June 7, 2004.



Carolina neighborhood in Ciudad del Este. The containers were in charge of Santa Ana Import Export and the transportation company was Alfa Trading SRL, according to the documents.

The smugglers cloned the numbers of the containers, which were later painted with the same color and characteristics, made the legal clearance for the merchandise for one shipment and subsequently use the same clearance for the next ones that were smuggled in.



Figure 1. Moments in which customs officials and prosecutors seize one of the “cloned” containers, which had smuggled merchandise.

### **3. Tobacco Companies**

Tobacco companies for the most part make cigarettes that are intended to be exported to the Brazilian and Argentinean market, due to the fact that Paraguay’s tobacco industry in the Southern and Eastern part exceed 20/1 the country’s consumer capacity.

Most tobacco companies are not registered in the Ministry of Industry and Commerce as exporters, nor do they intend to export to legal markets, few companies are the exception, which export cigarette to Asian markets.

In contrast to counterfeiting, the cigarette smuggling activity is mainly financed and run by Paraguayans citizens, most of them connected to the political party in the government (Colorado party) that has been in power for 51 years, many of whom have ran for office on a local and national level.

The tobacco industry moves hundreds of million of dollars, that evidently does not come out of Paraguayan tobacco consumers, it is not only cigarette smuggling but also counterfeiting cigarette brands so that it has a higher value in the market is involved

in this issue. Most of the smuggled cigarettes go to the Brazilian and Argentinean markets as Brazilian or American cigarettes, in counterfeit boxes made in Ciudad del Este; this market is also involved in drug trafficking.

#### **4. Agro Industry**

The agro industry is for the most part Soya and beef and is divided in two sectors: Foreign capital and Paraguayan capital. The intensive and mechanize agricultural production is largely determined by foreign capital, principally from Brazilian, followed by Argentina; and a smaller European and American investment.

Regarding cattle raising, most of the ranch owners are Paraguayan or Brazilian and it is also a major activity in the area.

#### **5. Energy**

The production of energy is in a particular situation, is monopolized by the bi-national enterprises system, which have a bilateral treaty of a mixed nature and state protection status. The two hydroelectric damns Itaipu and Yacyreta use the bi-national system, Itaipu is between Brazil and Paraguay, and Yacyreta is between Argentina and Paraguay.

Itaipu as well as Yacyreta are of vital importance for Argentina and Brazil, since these two countries have a greater need for energy than Paraguay. For example, only 3% of the energy produce in Itaipu is used by Paraguay, the rest is used by Brazil at a preferential price.

A great part of the national budget depends on the royalties or revenue generated from the energy sale, although Paraguay does not depend solely on these damns for its energy needs, its economic importance is vital for the country.

#### **6. Other Activities**

There are other activities that have influenced the regional movement of people, like construction, commerce, basic services and tourism.

*a. Construction*

Ciudad del Este grew rapidly from the 1970's to the 1990's due to the construction of hydroelectric dams. Houses, schools and buildings were built for activities related to the 40,000 workers.

*b. Commerce*

All type of business proliferated in the zone around the dams, specifically for the recreation of the workers. Casinos, bars, nightclubs, and brothels became the main businesses in the urban area. This created a huge internal migratory movement of people who saw the region as a land of opportunity.

Other commercial activities progressed, including logging, cultivating yerba mate, farming, cattle raising, and later border commerce.

*c. Tourism*

The conventional tourism in Ciudad del Este and the Tri-border region is principally for the Iguazú Falls, situated between Brazil and Argentina. Only about 10% of the tourists who visit the falls go to Ciudad del Este. The tourism industry has not progressed in Paraguay in general and in Ciudad del Este in particular, because Ciudad del Este is highly commercial, and also because of institutional insecurity.

There are many illegal economic and financial activities in the area, mixed with administrative and judicial irregularities.

**C. SOCIAL SITUATION OF MUSLIMS**

Specialists agree that the exact number of Arabs and Muslims in Latin America is very difficult to estimate. It is estimated that six million Muslims live in Latin America, most of them in Brazil and Argentina. A large number reside in Venezuela, Colombia and Paraguay. The majority of these immigrants came from Syria and Lebanon (Christian and Muslim). The Egyptian newspaper Al-Ahram reported an estimated 17 million Arabs and their descendants living in Latin America.

A more exact estimate given by religion rather than by origin, gives an estimate of six million Muslims in Latin America. This estimation was done by the Islamic Organization for Latin America. Of that number, a million live in Brazil and 700,000 in Argentina.

The first Arabs and Muslims who arrived on the American continent arrived during the time of the Spanish empire. The Spanish conquistadors brought slaves from North and Northwest Africa who introduced Islam. These slaves lost contact with their roots, could not keep their cultural identity, and Islam finally disappeared as a religion among the slaves, who were converted to Christianity.

Around the year 1850 a large Arab immigration to Latin America took place, to escape the occupation of their lands by the Ottoman Empire (to this day all Arabs and Muslims are referred to as “Turks” in Latin America, because when they arrived in Latin America they had Ottoman Empire passports)

Ricardo Lopez Dusil, an Middle East and Africa expert explained “In general terms, one can say that the first Arab immigrants were lonely men, young and poor, principally dedicated to commercial activity, going from house to house to sell their goods, and it didn’t required much language skills.” He added “they established new commercial ways that they brought from their countries and weren’t used in the continent. For example, the credit.”<sup>27</sup> (Credit was considered a sin by the Catholic Church)

A new wave of immigration happened after the creation of the State of Israel in 1948, in this opportunity, a large amount of Palestinians went to Chile. Many of the Arabs and Muslims blended in with the local population, mixed with them and took the local culture.

Latin America had many politicians of Arab origin, like the former Argentinean president Carlos Menem, descendant of a Syrian family of Muslim faith, who converted to Catholicism; Abdala Bucaram, Christian of Lebanese descent, who was president of Ecuador and Gabriel Turbay of Lebanese descent, who was running for president in Colombia in the 1940’s and many other politicians in less important offices.

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<sup>27</sup> “Arabs and Muslims in Latin America,” *BBC Internet Edition*. March 17, 2005- 15:08 GMT.

However, the majority of Arab immigrants came in a few decades ago, mainly the ones that are in the Tri- border area, who for the most part are of Lebanese descent, during the Lebanese civil war there was a huge influx of immigrants coming from this country.

A great percentage of business in the cities of Ciudad del Este and Foz do Iguazu have Lebanese immigrants working in them, due to the fact that 95% of this community works in commerce.

### **1. Ideology of the Immigrants**

In the Tri-border area, it is estimated that around 25,000 Arabs, Muslims as well as Christians, live in the Tri border area between Argentina, Paraguay and Brazil. In comparison, this community is important in Latin America for its number and its concentration.

The Arab community of Ciudad del Este and Foz do Iguazu is of 90% Lebanese origin and most of their members have relatives in the Bekaa valley in Lebanon, center for the Hezbollah organization. Part of this Arab community accepts having sent money to their relatives in the Middle East, but denying that those funds will be used to support terrorism. Mohammed Naser, one of the leaders of the Lebanese community in the area, admitted to the press that money is being sent to Hezbollah in the following terms: “when you are an immigrant you know that you cannot forget to help those that stay behind in the home country. Even more when this country is waging a war, one a month or whenever we can, we sent money to our people, some have relatives that are in Hezbollah, but of course these are not the only ones supporting the movement. The important donations are made by entrepreneurs.”<sup>28</sup>

In Foz do Iguazu Sheik Taleb Joma, who runs the Shiite mosque “Husseinia” repudiated publicly the 9/11 attacks in the U.S., criticizing at the same time what he considers a defamation campaign against Muslims by the media.<sup>29</sup>

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<sup>28</sup> “Desde Ciudad del Este financian al Hezbolá,” *La Nación*, May 24, 1998.

<sup>29</sup> “Dos Arabes de Foz: Por que Nós?,” *O Estado do Sao Paulo*, September 15, 2001.

The Arab community in Ciudad del Este is around 2 to 3,000 people, that live permanently in the city, but around 10,000 cross the border each day from Foz do Iguazu to go to work.

The spiritual leaders of the Arab community in Ciudad del Este are the Lebanese sheiks, Mahamud Bradan and Mumir Fadel. Bradan mentioned the role of the Hezbollah organization as of freedom fighters and the supports it receives from the Arab community of the Tri-border area, criticizing at the same time the security policies of the Argentinean government, saying: “ a group that fights for its land can not be considered terrorists. In Argentina they are wrong, Can it be said that the citizens that fought against the English during the occupation of Buenos Aires were terrorists? Was San Martin a terrorist because he fought for the independence of his country?”<sup>30</sup>

#### **D. LEGAL AND ADMINISTRATIVE SITUATION**

According to the last report of Transparency International, Paraguay is in the first place in corruption in South America, second in the Americas, Haiti holds the first place.<sup>31</sup>

This high degree of corruption and judicial insecurity is seen on all levels in the Tri-border area, affecting institutions like the district attorneys office, prosecutors, customs, police, and on a lower scale the military; generating a state of citizen insecurity.

There is also a clear conscience among the members of society on this issue, the Lebanese Charif Hammoud, president of the union of importers of Ciudad del Este referred to Ciudad del Este stating “here nobody knows what percentage of the businesses are legal and what percentage is illegal. Ciudad del Este deserves the fame it has: there is counterfeiting, smuggling, drug and arms trafficking.”<sup>32</sup>

##### **1. Irregular Funds**

The Secretariat of Money Laundering of Paraguay (Seprelad), has evidence that in the money laundering scheme there are powerful entrepreneurs of Arab descent. In a brief

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<sup>30</sup> “Ciudad del Este: Arabs under suspicion,” *O Estado do Sao Paulo*, September 17, 2001.

<sup>31</sup> Transparency International Report, 2005.

<sup>32</sup> Jorge Camarasa, “Declina la Capital del Contrabando,” *La Nación*, April 2, 2000.

investigation the agents of the Seprelad detected that a small group of entrepreneurs sent in a month 49,800,000 US dollars in a irregular way outside the country.

The information was managed in a hermetic mode by the Seprelad, however, the prosecutors gave some information on the charges pressed against Nassar Hicham Mohamad and his brother in law Atef Ali Walay on violating the 1015 law, which states that any operation above 10,000 US dollars has to be reported to authorities.

The prosecutor mentioned that “these operations investigated by the Seprelad were not reported and we assume that it could be money used to finance terrorism, using enterprises or non existing persons as a front,” in another paragraph he mentions the involvement of these citizens in smuggling, counterfeiting, tax evasion and money laundering and encourage the Seprelad to carry out an intensive investigation, something that did not happen.<sup>33</sup>

According to media sources, millions of dollars are sent to fiscal paradises and the U.S.; which shows the fragile control for sending money abroad, but on the contrary, for money coming into the Paraguayan central bank, there is strict control, much of the time very bureaucratic and tending to press for an “arrangement,” meaning that if you pay the bureaucracy it is going to stop.

In Brazil, there were investigations done in 2003 on crimes against the financial system that included among other things money laundering, fraud, tax evasion, and irregular transfer of funds abroad, 191 people were included in the investigation.

In 2004, an operation called “macuco” done by the Brazilian federal police and customs about the gigantic money laundering scheme that exists in Ciudad del Este and Foz do Iguazu, estimated that 30,000 people are directly and indirectly involved in the scheme.

After the operation 240 people were prosecuted, who were the intermediaries of the whole scheme, they were the ones who managed the “laundry.” While the big beneficiaries are not prosecuted yet, but are being investigated, some of them are Brazilian politicians, like Celso Pitta, former mayor of the city of Sao Paulo, and Paulo

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<sup>33</sup> “*Enviaron 50 millones de Dolares al exterior sin control del BCP.*” Hector Guerin and Fermin Jara. ABC Newspaper, June 2, 2004.

Maluff, former governor of the state of Sao Paulo. Many powerful entrepreneurs and bank managers are involved in money laundering in Brazil that is related to the Tri-border area.

Two Paraguayans citizens were playing a key role in the scheme, the Almada Huber brothers, they own many money exchange houses in Ciudad del Este and Asuncion.<sup>34</sup>

Since the emplacement of the new laws in 2001, the money laundering scheme changed its system, what used to be open money exchange businesses went underground and is still a thriving business, so much of the money exchange is done in clandestine businesses.

After the crackdown on the CC-5 accounts which operated in Brazilian and Paraguayan banks, the whole money laundering system was done through clandestine money exchange houses that sent and keep sending big sums of money abroad without any type of control.<sup>35</sup>

*a. Money Laundering*

Much of the money laundering was operating and still is through front companies that only exist in paper and also under false names, the main problem with money laundering apart from not paying taxes is that all the money involve comes from illicit activities; and as long as the money can be laundered it will be a thriving business in the region.

Many of the institutions that are in charge of fighting these types of crimes are penetrated by corruption, the Seprelad whose main task is supposed to be fighting money laundering, always interfered when other agencies try to obtain information on individuals that are suspected of being involved in money laundering.

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<sup>34</sup> The Paraguayan citizens who were accused of committing this crime according to Brazilian law between 1996 and 2002, were not considered criminals by Paraguayan law, since the money laundering legislation was emplace in 2001.

The Paraguayans said that transferring funds through the accounts CC-5 was totally legal, and that there was not a law that prohibit it.

<sup>35</sup> “*En vez de investigar, el Fiscal Duarte defiende a casas de cambio clandestinas.*” Hector Guerin and Fermin Jara. ABC Newspaper. May 31, 2004.



The newspaper Vanguardia of Ciudad del Este reported in May 2004 that “clandestine money exchange houses, that everybody sees, but the deputy attorney general Hugo Velazquez doesn’t see, are part of the money laundering scheme.”

One of the more concrete evidence of corruption happened when a Lebanese citizen by the name Kassan Hijazi was detained with 500,000 dollars in cash. The director of the prosecutor’s office later released him saying that there wasn’t any reason to arrest him, and that it was a mistake made by the police.<sup>36</sup>

## **2. Smuggling**

Since 2004, the Brazilian police have intensified their control in the Brazilian coast of the Parana River. The control is a joint effort of the Brazilian police (federal and state) and Brazilian customs and prosecutors.

Many clandestine ports were found and destroyed on the Brazilian side, and the people who were arrested smuggled cigarettes, drugs, arms, according to reports.

Even people are smuggled through the river, wanted criminals from Paraguay and Brazil cross the river through these ports in fear of doing it through the bridge that is controlled by authorities.

Although controls have tightened in the border, mainly in the bridge that unites Ciudad del Este with Foz do Iguazu, any person who crosses that bridge can take up to whatever he can carry, also cars and motorcycle and not check, only trucks go through some type of control, which cannot be much because the traffic that has to go through the bridge is large. Many people work as “paseros” whose sole job consist of carrying a bag of smuggle goods to the other side, they do not own the merchandise, they are hired to cross the bridge with a bag all day long, and the bridge is crowed with these people, thousands of “paseros” work in Ciudad del Este and Foz do Iguazu.

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<sup>36</sup> Juan Carlos Duarte, who is the head of the prosecutor’s office in Ciudad del Este, started an investigation on money laundering more than a year ago, but until now no one was prosecuted for money laundering.

The Brazilian authorities have much information on the money laundering scheme in the Tri-border area, up to this date Juan Carlos Duarte has not asked them for any information.

*a. Mega Counterfeiting in Ciudad del Este*

Ciudad del Este is a city where much of everything goes in and out without any control, much of the smuggled goods comes out as counterfeit products.<sup>37</sup> To have an idea the counterfeiting of cigarettes cause the Brazilian tobacco industries in Sao Paulo, an estimated loss of US\$ 600 million; the cigarettes that are made in Paraguay are loaded into counterfeit packs and boxes with the logo of Brazilian brand cigarettes, mainly four brands (Ritz, Hood, Derby, and Hollywood) and then smuggled into Brazil.<sup>38</sup>

Another major illegal activity is counterfeiting of cassettes, CD and DVD, which generates around US\$ 150 million annually. This illegal activity generates around US\$ 150 million a year. Due to the lack of control of this activity, the American company Disney Co. withdrew its products from Paraguay.<sup>39</sup>

The contraband merchandise comes into Ciudad del Este through two ways mainly, according to its origin. If it originated in the Middle East, it comes through Brazil, Uruguay or Argentina, arriving at the ports of Santos or Paranagua (Brazil), Montevideo (Uruguay) or Buenos Aires (Argentina). As it was mentioned earlier, if the merchandise is originated in Asia, it arrives at the port in Iquique (Chile).

The counterfeiting and selling of contraband merchandise is facilitated by the Paraguayan legislation that permits the patenting in the National Registration of Patents, of international brands that do not have any representation in the country. The former president of the Paraguayan industrial union, patented the name “aspirin” and sued the multinational company Bayer.<sup>40</sup>

The Tri-border area also plays a huge role in car smuggling that are stolen in Argentina. According to statements made by the head of the Interior Security Secretariat, in the Argentinean territory around 6,000 cars that are stolen annually are

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<sup>37</sup> The main items are electronics, software, sport shoes, toys, watches, clothing, perfumes and cigarettes.

<sup>38</sup> “Preocupa al Mercosur el auge delictivo en la Triple Frontera,” *La Nacion*, February 20, 2000.

<sup>39</sup> “Global Crime: International and Regional Cooperation among Governments and Gangs Alike,” Transnational Communities Program, 1998.

<sup>40</sup> Jorge Camarasa, “Declina la Capital del Contrabando” *La Nacion*, April 2, 2000.

taken to Bolivia and Paraguay, in the case of Paraguay the majority go to Ciudad del Este. This amount has been reduced drastically since 2003, when a new system of registration in Paraguay was implemented.

A great part of the contraband that goes in Ciudad del Este comes from Asia, mainly Hong Kong, Taiwan and Malaysia. The counterfeit products are put in new boxes and labeled with known brands, usually U.S. or Japanese of famed quality. The president of the union of importers of Ciudad del Este, Charif Hammoud indicated that there are three levels of counterfeiting, relating to the level of the label brand that it uses, which changes the price of the product. For example, the same video recorder could be found under the brands Panasonic, Sony or Aiwa.

For the most part the contraband merchandise leaves Ciudad del Este through the same way it came in, through Argentinean and Brazilian territory. However, some others ways are also used to cross the borders, to avoid a higher bribe by the controls.

According to Brazilian authorities, in the Paraguayan territory there are around 100 clandestine airstrips, that are used to fly out contraband, drugs and arms, generating around US\$1,5 billion a year.<sup>41</sup> The Argentinean air force did an operation named “Vigia II” which controlled the air space in the Northeast part of Argentina. “Vigia II” allowed discovering 15 clandestine airstrips in the Argentinean provinces of Misiones and Corrientes, many of them hidden by the thick vegetation of the zone; also around 30 unauthorized flights were detected, most of them coming from Paraguay.<sup>42</sup>

The smuggling that goes by water to Argentina is though the Parana River, and consists of general merchandise, in contrast to the smuggling that goes through the Itaipu Lake to Brazil, which consists mainly of drugs and arms in exchange for stolen

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<sup>41</sup> Global Crime: International and Regional Cooperation among Governments and Gangs Alike, Transnational Communities Program, 1998. ver: <http://www.leavenworth.army.mil/milrev/download/Spanish/JulAug02/>, (accessed August 2, 2004).

<sup>42</sup> The operation “Vigia II” was the most important of its kind in the Tri-border area, although it was only done by the Argentinean air force and in Argentinean air space.

cars. To confront this scenario, in May of 2001 the Brazilian federal police set up a small air base in Foz do Iguazu, from which its aircraft patrol over the Parana River and the Itaipu Lake, periodically reinforced by military activities.

Just as in the Brazilian case, smuggling was the reason for Argentina to reinforce its security forces in the area. In February of 2000, the order to send 1,000 agents of the national gendarmerie (gendarmeria nacional) and four patrol boats of the prefectura naval (coast guard) to fight this crime came after a gendamerie agent was killed in an outpost by smugglers that were operating from Paraguay.

The Itaipu Lake is ideal for illicit activities, there are at least 20 clandestine ports between Brazil and Paraguay. The police say that for every illegal port on the Brazilian side there is another one on the Paraguayan. In the past after an illegal port was closed it was after a short time used again by the smugglers, for that reason explosives are used now to completely destroy and deny the use of illegal ports to smugglers.

***b. Ciudad del Este, A Society Dependent on Contraband***

This is the reality of the situation: Ciudad del Este depends on the *underground* economy.

(1) A Hotbed for Contraband. A few years ago *la Receita* constructed a wall approximately 3-meters high in the primary zone of the international passageway. It came to be called “the wall of shame” and to be compared with the former wall that divided Germany. The municipal authorities, wishing to “cover up” the wall, brought in local artists who painted the entire wall with landscape scenes from the Tri-Border Area.

In 2004, *la Receita* decided to install on the wall barbed wire with cutting elements. At the top circular wires with sharp points are currently being installed. The image this gives is not one of a border zone, but rather one of a concentration camp or maximum-security prison. This 3-meter wall that is now topped off with barbed wire leaves an unfortunate image in the minds of those who enter or leave Paraguay from Brazil.



Figure 2. Security Barrier with barbs (harpoon style), installed by Brazil to prevent the *sacoleiros* from throwing their merchandise in the river, from which others later collect it, thus bringing it into the country and mocking control measures.

The officials responsible for control and collections in Brazil have indicated that the installation of this barbed wire was necessary to avoid the entrance of contraband that the *sacoleiros* bring in from Paraguay.

The smugglers throw their wares, especially cigarettes, over the wall and thus bring their products into the neighboring country illegally.

On the bridge, in one section, metal sheets were also installed to keep smugglers from throwing cases of cigarettes from the bridge into the ravine of the River Paraná, where others then collect them.

(2) Other Dependent Sectors. The transportation sector (passenger, cargo, taxis, trucks, motorcycles) is also directly affected by the activity in Ciudad del Este. On many occasions, those involved in the illegal activities have forced authorities to make decisions as according to their interests.



Figure 3. One of the many motorcyclist and taxi driver demonstrations in the Ciudad del Este and Foz de Iguazú.

(3) Winds of Change. Because of the pressure exerted by large, transnational companies, the government of the U.S. and that of Brazil, the Paraguayan authorities and the regional governments of Alto Paraná, along with the city government of Ciudad del Este have initiated a social and economic renewal program. Also, Itaipú has collaborated with public authorities and private groups, and the construction of a theme park near Ciudad del Este and Hernandarias has even been proposed, to take advantage of the areas rich natural resources and to motivate tourism.



Figure 4. Recuperated spaces that are now shopping facilities, all carried out with the intention of giving Ciudad del Este a new national and international image.

## **E. TERRORIST INDICATORS**

Up through now we have been able to see that the Tri-Border Zone possesses too many of the elements which cause vulnerability to terrorist ideas and acts.

This area's links to terrorist activities related to the Middle-Eastern political scene is logical, given its significant Arab populations, especially the Lebanese.

As per a detailed work of journalism authored by the Brazilian Roberto Gody, suspicions about the presence of terrorists tied to the Middle East have been on the rise for twenty years, since 1981. In that time the former National Information Service (SNI) of Brazil was able to identify businessmen from Beirut who owned businesses in Ciudad del Este and Puerto Iguazú—these Lebanese men promoted social events for the Arab community of the area, according to the SIN, at which funds were raised to be sent to Palestinian organizations.<sup>43</sup>

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<sup>43</sup> Roberto Godoy, *Triplíce Fronteira e Vigília há 20 Anos*, O Estado de São Paulo, November 11, 2001

Over time, during the 1990's, many Middle Eastern terrorists had put down roots in Foz (and also in Chui in Brazil, along the Uruguayan border) and had formed what are known as "sleeper cells," as according to U.S. officials speaking of the situation in Foz and Chui.<sup>44</sup>

Argentina in particular, and Paraguay and Brazil in general, doubled their attention to the Tri-Border Area after the attack on the Israeli embassy in Buenos Aires on March 17, 1992. The investigation carried out by the Supreme Court of Justice of Argentina, in which intelligence agencies played an important role, gathered enough data to attribute the attacks to the terrorist organization *Hezbollah* on May 10, 1999, and to their Security Service branch, more concretely. The Court found that the group Islamic Jihad, that had claimed responsibility for the aggression, had joined with *Hezbollah*; and that their own Security Service recognized Imad Moughnie (or Mughniyah) as the head of the operation. The highest Court also heard the testimony of a witness, whose identity has been held secret (witness "A") in the trial on the terrorist attack carried out in 1994 against the *Asociación Mutual Israelita Argentina* (AMIA), which indicated that Moughnie had entered Argentina in February of 1992 to supervise the attack against the Israeli embassy, en route from Foz de Iguazú.<sup>45</sup>

The court report took into account the points of view of two international experts on terrorism, Bruce Hoffmann (Rand Corp.) and Ariel Merari (ICT), who believed that the Tri-Border area played an important role in the attack on the Israeli embassy. The nuclei of *Hezbollah* in the local Arab communities had recruited volunteers that collaborated in peripheral aspects of that terrorist act, perhaps without even being aware of their involvement.<sup>46</sup>

Hoffmann, in his work on the Tri-Border Area, would say that the area possessed four functional characteristics that served in the design and implementation of this terrorist act: an environment of illegal trafficking and organized crime that allowed the terrorists to hide and cover up their activities; a supply of arms and materials necessary to

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<sup>44</sup> Zero Hora, "Divergencias nas relações Brasília-Washington," September 19, 2001.

<sup>45</sup> Carlos Fayt, *Criminalidad del Terrorismo Sagrado. El atentado a la Embajada de Israel en Argentina*, (La Plata: Editorial Universitaria de La Plata, 2001), 52-53 and 97-100.

<sup>46</sup> Ibid., 106-109.



commit the attack; the existence of criminal elements that could be recruited and incorporated into the operation; finally, a latent anti-semitism, susceptible to exploitation.<sup>47</sup>

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<sup>47</sup> Congreso Nacional Argentino, “Segundo Informe de la Comisión Bilateral Especial de Seguimiento de la Investigación de los Atentados a la Embajada de Israel y al Edificio de la AMIA,” 1998, item F.5.2., 255-256.

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## **V. PROBLEMS OF THE RULE OF LAW IN THE TRI-BORDER AREA**

### **A. PRELIMINARY NOTIONS**

In the fertile ground provided by inefficient states and other environments lacking economic regulation, illegal activities thrive and call for a higher grade of territoriality and effective power structures. As mentioned previously, “new threats” hover over our countries and over the world at large, a time-tested idea that encompasses terrorism, organized crime, drug trafficking and proliferation of weapons of mass destruction, among other elements. We are now observing organizations seeking to merge with society, taking advantage of new telecommunications resources and maintaining an almost exclusively virtual presence.<sup>48</sup>

The Tri-Border Area can be conceived of—for didactical purposes rather than real ones—as a test laboratory for the study of the problems and solutions of a *lawless area*... with *law* conceived of here as the effective exercise of governmental authority.

### **B. THE CONCEPT OF A LAWLESS AREA**

Sovereignty is, in Kelsen’s terms, the power of the state to create and apply *law* in a *territory* and to a *people*.<sup>49</sup> When a portion of the territory remains at the margin of application and imposition of the laws of a state, we are confronted with a situation that is ripe for the development of a lawless area.

The characteristic that defines a lawless area, above the presence or absence of a state, is its capacity to constitute a security threat, whether with respect to itself or for other countries.

The notion of a lawless area (also referred to as an ungoverned area) is not the same as the concept of “empty space.” This latter concept defines, as its name suggests,

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<sup>48</sup> Manuel Castells, *La era de la información –Economía, Sociedad y Cultura*, (Madrid, Spain: Alianza, 1999).

<sup>49</sup> Norberto Bobbio, *Estado, gobierno y sociedad*, (Buenos Aires, Argentina: FCE, 2001).

areas of land that are essentially uninhabited, where the absence or weak presence of a state is not taken advantage of by illegal actors, even if its existence in and of itself can represent another sort of risk for a country.

For an area that is not under effective governmental control to be considered a true lawless area there must exist in that area established oppositional powers, such as those constituted by the many various versions of organized crime and/or groups that carry out or support terrorist actions.

This phenomenon obliges us to clarify one point: the absence of state legality does not imply that another system of rules, private in nature, is not present and acting in the place of the law.

An archetypical example of a lawless area that demonstrates this characteristic is the so-called “goodwill zone” (*“zona de distensión”*) in Colombia, a territory where guerrilla law reigns and which has turned into the epicenter of a series of illegal activities that relate to the political objectives of FARC as well as to the financial aspects of its operation. Thus, for example, the goodwill zone has turned into a true “storage area” for kidnapping victims, where the payment of lavish ransoms is hidden from view. This zone also serves illegal traffickers of food products, arms, ammunition, medicines and, obviously, cocaine and its chemical precursors. With a lesser territorial reach, the leaders in Brazilian shanty-towns impose their own laws on thousands of people.

Although we have been working with this concept within spatial terms, like areas or zones, it is equally applicable to spaces that are not defined by geographical terms. For example, certain urban commercial circles that are controlled by drug trafficking gangs or by ethnic mafias may be classified as lawless areas in the sense that they have the potential to constitute a threat, they are fueled by corruption, they work under their own laws and they are not subject to legality. As expressed in Kelsen’s work, sovereignty is defined by the application of law not only to territory but also to citizens.

The empirical analysis of this phenomenon in our hemisphere leads to the identification of three fundamental dimensions that favor the formation of lawless areas.

These conditions are neither necessary for formation nor is each sufficient in and of itself, but they allow us to identify vulnerabilities as we look to form our response to this phenomenon.

The first dimension is political in nature: the weakness of **state institutions**. The weakness of the Latin American states is a critical topic in regional security and its study may be undertaken starting from an analysis of two parallel processes that are often symbiotic: the *incapacity to maintain a legitimate monopoly of force* and the widespread *corruption of government officials*.

A second trend that shows up in our analyses is the **geopolitical dimension**. Evidence indicates that *border areas* and *certain geographic characteristics* of terrain provide conditions that favor the formation of lawless areas.

Finally, the analysis of some **socio-economic conditions** offers valid indicators for the evaluation of the formation of lawless areas. The installation of *duty-free zones*, *the existence of ethnic minorities* and *availability of communications* are among these.

### 1. Sovereignty as Responsibility

According to Article 2 of the Charter of the United Nations, it is “based on the principle of the sovereign equality of all of its members.” Sovereignty is among the fundamental principles of statehood and brings with it the obligation to not intervene in matters that are essentially within the internal jurisdiction of the states.<sup>50</sup> Its two pillars are, according to Stephen Krasner,<sup>51</sup> autonomy and territoriality.

Nevertheless, it is certain that from the perspective of factual analysis as well as from that of security and humanitarian intervention,<sup>52</sup> the concept of sovereignty is becoming relativized over time.

Up through today, this limitation of sovereignty to states has been consensual, agreement-based and ad hoc,<sup>53</sup> but the academic contributions toward summing up the concept precisely and defining its new realities have been incessant.

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<sup>50</sup> Charter of the United Nations, Article 2, Chapters 1 and 7.

<sup>51</sup> See Stephen Krasner, “Compromising Westphalia,” *International Security*, 20, no. 3 (Winter 1995), 115.

<sup>52</sup> Chantal De Jonge Oudraat, “Humanitarian Intervention: the Lessons Learned,” *Current History*, December 2000.

Robert Jackson speaks of *meta-states* when referring to those that indeed possess a legal structure but lack the empirical aspects of statehood, in other words, they are recognized by the international community but they are incapable of carrying out the minimal governmental functions that bestow their very existence.<sup>54</sup> Legal statehood in the absence of empirical statehood falls within the territory of failed states.

Among the academics specializing in security and humanitarian intervention, Evans and Sahnoun suggest exchanging the term “right to intervene” for the idea of “responsibility to protect.”<sup>55</sup> Such a responsibility is inherent to the sovereign state with respect to its citizens, but if the state is not capable or willing to exercise it, the international community will have to take it on. From this point forward, the idea of sovereign impunity gives way to that of national and international accountability. These authors affirm early on that “the essence of sovereignty (will move) from control to responsibility.”<sup>56</sup>

This conceptual shift that fuels humanitarian intervention is added onto the conceptual demands that the United States faces in response to transnational threats in the aftermath of September 11<sup>th</sup>.

Two fundamental categories that are currently being worked with in the analysis of humanitarian intervention have come to form the hard nucleus of a new strategic doctrine which is still in formation: the concept of the **failed and/or weakened state**,<sup>57</sup>

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<sup>53</sup> S. Krasner cites numerous contracts and conventions that infringe upon the two pillars of sovereignty: territoriality and autonomy, as well as an enormous quantity of cases in which sovereignty is violated by coercion. Robert Jackson refers to examples of humanitarian intervention, such as Somalia, Kosovo and Sierra Leone...

<sup>54</sup> Robert Jackson, “Surrogate Sovereignty? Great Power Responsibility and Failed States,” (Working Paper no. 25, University of British Columbia, Institute of International Relations, November 1998).

<sup>55</sup> Gareth Evans, and Mohamed Sahnoun, “The Responsibility to Protect,” *Foreign Affairs*, 81, Issue 6, (November/December 2002), 99.

<sup>56</sup> Ibid.

<sup>57</sup> Please consult the following sources, among others, about the concept of “weak” or “failed” states: Gerald B. Helman and Steven R. Ratner, “Saving failed states,” *Foreign Policy*, no. 89, (Winter 1993) 3-21; Robert Rotberg, “Failed States in a World of Terror,” *Foreign Affairs*, (July/August 2002) 127; Rotberg, Robert, “The New Nature of Nation-State Failure,” *The Washington Quarterly*, (Summer 2002), 85-96; Woodward, Susa, “Failed States: Warlordism and “Tribal” Warfare,” *Naval War College Review*, 52, Issue 2, (Spring 1999), 55.

used to designate those states that are incapable of controlling the events that occur within their territory and **ungoverned zones**, an alternative term for **lawless area**, which designates those areas in which the state is absent and threats are present.

And it is from here forward that the notion of accountability becomes newly relevant, given that is not feasible to expect, especially after the Iraq War, that the international community should be the agent of control and that multilateralism should be the mechanism to adopt. Who makes the final decisions with respect to responsibility and sovereignty of other actors?

### C. THE TRI-BORDER AREA—A LAWLESS AREA?

Above all, we should say, NO, not necessarily... In Latin American, Africa and Southeast Asia, with societies prone to their own particular conceptions of political, social and commercial values that oppose the occidental system, it is in fact possible to find an apparent connection between *border regions* and *lawless regions*.<sup>58</sup>

Julio Cirino<sup>59</sup> has already explained quite lucidly that structural and situational components exist that favor the formation of lawless areas, spaces where transnational actors linked to illegality affirm their influence above that of the state authorities<sup>60</sup>. Some of these factors are products of globalization and of the simultaneous reduction of state effectiveness in the countries in our hemisphere, all of this combined with an acceleration in the influence of “fundamentalisms” in the world (as already discussed above).

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<sup>58</sup> To not overstep the scope of this project, examples will remain limited to those within Latin America, among them: the Tri-Border area between Argentina, Brazil and Paraguay, the Pentagon adds to this the border between Uruguay, Brazil and Argentina, the Tri-Border area between Colombia, Peru and Brazil, the area in Ecuador that borders Colombia, the Darién region of Panama and Maicao in Colombia, among others. We can likewise identify other areas where only a few of these features appear, as in some duty-free zones of the hemisphere (Chuí in Uruguay, Colón in Panamá), where it is advisable to develop control strategies to avoid them becoming lawless areas.

<sup>59</sup> The President of the Center for Hemispheric Studies Alexis de Tocqueville; Senior Fellow of the Center for Strategic Studies of the Argentine Navy participates as an international and hemispheric security specialist in various academic and governmental institutions.

<sup>60</sup> Julio Cirino, “Las áreas sin ley en el Hemisferio: una hipótesis de trabajo,” (presented in the 5th Meeting on Strategic Studies, National Defense School, Buenos Aires, October 3, 2002; published at [www.centrotocqueville.org.ar](http://www.centrotocqueville.org.ar), (accessed August 2, 2004). and in *el Observatorio de la Universidad Diego Portales*, Chile).

The growth of a parallel economy, under the table and subsistence based, that has sprung up more from survival instinct than through economic rationality in impoverished sectors, has become a sphere that favors the undertaking of illegal activities linked to organized crime.

A state in crisis becomes markedly incapable of meeting the enormous demands made upon it, both internally and externally, making it severely difficult to exercise its governmental functions, which are defined as the maintenance of the natural social organization of society as well as its political and economic structure<sup>61</sup>. The Brazilian analyst Favio Wanderly Reis rightly names this phenomenon “hobbesian ingovernability”: *“this is the general deterioration of the social fabric, combined with criminality, growing urban violence, the emergence of spaces where the state authority is not in conditions to assert itself effectively, thus compromising the state’s capacity for action with respect to the maintenance of its own public order and collective security.”*<sup>62</sup>

Many of these structures that are linked to these new threats have adopted a “network” structure,<sup>63</sup> in which a few cells connect to multiple other cells located at various points of the globe, generally making use of technology to do so. This structure presents different demands from those of a structure rooted in one territorial safe-haven, the latter more easily identifiable, because groups with this new structure are able to slip through the cracks in the sovereign state system.

In the case of the most lethal of all asymmetric threats, terrorism, the new trend toward “privatization”—of its activities and financing methods—allows organizations to operate independently of the support of friendly states. This fact makes finding cells more difficult, while alliances with organized crime and drug trafficking activities offer a high level of flexibility and a constant flow of income.

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<sup>61</sup> We understand governability as the capacity of a government to legitimize its decisions through effectively carrying out its functions. It is relevant here to point out the intimate relationship that exists between governability, legitimacy and effectiveness. Refer to: Acosta Silva, Adrián, “Gobernabilidad y Democracia -Perspectivas del Debate a Veinte Años del Reporte a la Comisión Trilateral,” <http://www.uacj.mx/Publicaciones/noesis/adrian.htm>, (accessed August 2, 2004).

<sup>62</sup> Fábio Wanderley Reis, “Atualidade mundial e desafios brasileiros.” *Estudos Avançados*, 14, no. 39, San Paulo, (May/August 2000), 181, [www.usp.br/iea/revista/online/dilemasdesafios/reis.pdf](http://www.usp.br/iea/revista/online/dilemasdesafios/reis.pdf), (accessed August 2, 2004).

<sup>63</sup> John Arquilla and David Ronfelt, *Networks and Netwars: the Future of Terror, Crime and Militancy*, Santa Monica, CA: RAND, 2001.



Nevertheless, the dynamic of a network's own expansion and, eventually, the implementation of counter-measures, progressively force its consolidation into spaces that shelter them from constant persecution.

The offensive against Afghanistan and the forces of the so-called War on Terrorism oblige the fleeing factions to seek refuge in safer areas from which they may continue their struggle. Weakened states and lawless areas enter into this dynamic.



Figure 5. It is irrefutable that the American presence on Paraguayan soil has, to some extent, assisted in addressing the problems in some areas on a fundamental level, especially in zones farther away from centers of state control. United States troops in the San Pedro Zone.

From the point of view of demand, therefore, certain spaces that lack the presence of an effective state are therefore key enablers of activities tied to illegality, be they terrorism, money laundering, falsification of documents, smuggling of any kind, drug trafficking, illegal migration, etc.

Through the analysis of the aforementioned cases we have succeeded in identifying some reoccurring traits and in beginning to establish categorization based in cause and effect.

Continuing with the analysis from the point of view of what territoriality has to offer, we shall briefly explore the category of “**accomplice states**,” among which we

include Bouterse's Surinam,<sup>64</sup> and we shall also provisionally observe Paraguay. These states are widely recognized by the international community, have the capacity to internalize and externalize their power—as opposed to being failed states—but they are highly tolerant of illegal activities, have extremely permissive judicial frameworks and authorities that are involved in illegality on a large scale. From the point of view of offering opportunities, we find in them a situation very similar to a lawless area but on a national level.

#### **D. LAWLESS AREAS—A NECESSARY ELEMENT**

If *Rule of Law*, assumed to be capable of protecting society and offering security, without which society would fall into unrest and chaos, doesn't exist in some regions, this is due to a confluence of elements that produce the aforementioned *hobbesian ingovernability* or *ungoverned areas*, which we will discuss in the following sections:

##### **1. The Political Dimension**

...created by the inability to maintain a legitimate monopoly of force and by the widespread corruption of government employees.

It is important to evaluate here the attitude of the nation-state toward the establishment of opposing powers within its territory. In some cases the enormous capacity of the opponent succeeds in challenging the state monopoly on violence, as is evident in Colombia and as is in emergence in Peru, Ecuador and Mexico. We thus see that this challenge can evolve into political insurgency (Colombia) or commercial insurgency<sup>65</sup> (drug barons paralyzing Rio<sup>66</sup>).

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<sup>64</sup> Surinam obtained its independence from Holland in 1975. The parliamentary government that came to power that year would be removed in 1980 by what is known as the "coup of the sergeants," one of whose leaders became the strong man of Surinam: Colonel Desi Bouterse, who controlled the cocaine traffic between Europe and the United States and the arms traffic as well, from the armed forces of Surinam to FARC in Colombia. The operations called "Suri-Kartel" (or Suri's cartel) supposedly headed up by Desi Bouterse and his son Dino (who carried out "diplomatic" functions in his country's Brazilian embassy, a post from which he had to be precipitously removed amidst rumors of his inappropriate use of his diplomatic immunity) still continue today, thanks to a solid alliance with various Colombian groups. For details please refer to: Shute, Brana, *Narco Criminality in the Caribbean*. Washington DC: Georgetown University, 2000.

<sup>65</sup> These categories will be further defined in the following sections (5.4.3 and 5.5).

The challenge to the state's monopoly of violence has been carried out, in general, effectively, even though certain aspects of legitimization of this achievement are a little more complex. When these actors are associated with interests in impoverished areas, like Pablo Escobar in Colombia, the *cocaleros* in Bolivia, as well as various leaders in Brazil, the legitimization of their transgressions is common, a phenomenon that is tied to the importance of the illegal activity to the survival of the inhabitants of the lawless area in question.

When the challenge to the monopoly of violence is not legitimized and is reduced to mere coercion, we find situations of massive displacement and refugees, like the case of the interior region of Colombia.<sup>67</sup>

Even though we may consider that in these cases there are *victim states*, which try but do not succeed in quelling the challenges to their legitimate monopoly of force, in general the progression toward lawlessness involves a second component in its mix: widespread corruption.

In some states a stance of complicity may be noted (active or passive, according to whether the state limits itself to merely silently overlooking illegality or actually "protects" illicit activity), in which government employees extract massive economic benefits from the activities carried out in their state. This can include institutional involvement (Bouterse's Surinam falls into this category, and Paraguay remains to be seen) or individual involvement of state officials (the case of the local police and politicians in the peripheral urban zones of many South American Cities, government officials at borders or consulates, political leaders that feed on their situation in order to

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<sup>66</sup> See, for example, "Violenta ofensiva narco a pocos días del inicio del carnaval" (Violent Drug Trafficker Offensive Only Days from the Beginning of Carnival) -32 vehicles were burned and 13 people were wounded. Businesses in the principle beaches were shut down as per the drug trafficker's orders. The group "Comando Vermelho" claimed responsibility for the attacks - *Clarín*, February 25, 2003.

"Narcos imponen terror en Río de Janeiro," *La Cuarta*, October 1, 2002, <http://www.lacuarta.cl/diario/2002/10/01/01.09.4a.VUE.BRASIL.html>, (accessed August 2, 2004).

<sup>67</sup> "Of the two million displaced, 800,000 (40%) are between 15 and 25 years old, of which 500 thousand are women," from *El Tiempo*; "En Colombia hay 800 mil jóvenes desplazados por la violencia," July 23, 2003.

grease the giant wheels of a corrupt system, etc.). In cases of state involvement, in which even legislation may adapt to the necessities of illegal activities, we can speak of “**accomplice states.**”

## **2. The Geopolitical Dimension**

...is linked to *border zones* and *geographical characteristics* of terrain that make it prone to become an “economically and legally liberated” zone.

Although geographic factors do not create lawless areas in and of themselves, many actors that are fundamentally linked to political insurgence and drug trafficking, take advantage of regions that are difficult to access, isolated from the rest of the nation-state, often with jungle vegetation, capable of hiding camps, labs, the movements of merchandise and its precursors (the Colombian, Ecuadorian, Peruvian jungles and Darién of Panama etc.).

Border zones offer obvious advantages for political insurgencies, who opt for them if they are badly integrated into the rest of the country so as to form sanctuaries to carry out their own rest and supplying requirements. They also offer benefits for commercial actors, who prefer to blend themselves into urban zones, using corruption as a tool and taking advantage of the globalization effect (when pressure rises in one area, this generates movement toward other neighboring countries), exchange rates, security breaches, differences between legal frameworks in bordering countries, high transaction volume and the great demand for services related to falsification, money laundering and smuggling.

## **3. The Socio-Economic Dimension**

...is related to the mix of *ethnic minorities* and *available means of communications* in *duty-free zones*, which make them notoriously prone to developing a socio-political-economic structure parallel to that of the structured state.

In our hemisphere there are numerous instances of duty-free zones increasing the capacities of the aforementioned actors, not only with respect to contraband activities, money laundering and drug trafficking, but also in relation with financing of terrorist

activities, as has occurred in the Tri-Border Area with Middle-Eastern terrorist groups<sup>68</sup> and in some isolated incidents in Iquique<sup>69</sup> (Chile) and Chuí<sup>70</sup> (Uruguay), among others. Maicao in Colombia and Colón in Panama are likewise duty-free zones that merit special attention.

The development of these activities requires, along this same vein, a banking system that is sufficiently complex as well as high availability of communications, services only found in large urban centers with ample commercial activity.

The settlement of ethnic minorities constitutes a factor worthy of consideration, especially because they establish a flow of contacts and money with families of origin that is essential to the necessities of radicalized or illegal sectors that blend themselves in with this legitimate flow of aid to families in order to carry out their criminal activities. In the case of Chinese mafias, ties to the continent favor smuggling, falsification and illegal migration, while in the case of Muslim minorities<sup>71</sup> it is believed that the financing of extreme groups, like Hezbollah, Hamas and eventually Al-Qaeda,<sup>72</sup> cloaks itself in the flow of remittances and charity.

Of course, the existence of these conditions does not single-handedly create a lawless area. On the contrary, it is the action of illegal actors within them that trigger the establishment a lawless area.

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<sup>68</sup> William W. Mendel, "Paraguay's Ciudad del Este and the New Centers of Gravity," *Military Review*, March-April 2002; Cesar Bartolome, Mariano, "La Triple Frontera: Principal Foco de Inseguridad en el Cono Sur Americano," *Military Review*, Spanish Edition (July-August 2002).

<sup>69</sup> "Investigan nexos con terroristas," *La Estrella de Iquique*, Year XXXVII - No. 13.174 (April 3, 2003) : The investigation of the activities of the Lebanese businessman Assad Barakat in Chile has revealed that the businesses that he left in operation in the duty-free zone of Iquique (Zofri) have continued to supply funds to the Tri-Border area (the convergence of the borders of Brazil, Argentina y Paraguay), and they are suspected of financing Islamic fundamentalist terrorism.

<sup>70</sup> In Chui there is an Arab community of 1,500 inhabitants and its governor is suspected of having ties to Islamic fundamentalism; September 13, 2001, [www.estadao.com.br/agestado/noticias/2001/set/18/229.htm](http://www.estadao.com.br/agestado/noticias/2001/set/18/229.htm) (accessed August 2, 2004).

<sup>71</sup> Among the many authors that touch upon the issue of Muslim minorities and their activities, we may turn to: Cirino, Julio, "Las areas sin ley en el Hemisferio: una hipótesis de trabajo," (presented in the 5th Meeting on Strategic Studies, National Defense School, Buenos Aires, October 3, 2002; published at [www.centrotoqueville.org.ar](http://www.centrotoqueville.org.ar), (accessed August 2, 2004). and in *el Observatorio de la Universidad Diego Portales*, Chile).

<sup>72</sup> For an exhaustive, informative exposé, see: Bartolomé Mariano and Llenderozas Elsa; "La Triple Frontera desde la perspectiva argentina: principal foco terrorista en el Cono Sur americano," (Conference Paper, Research and Education in Defense and Security Studies, 2002).

## E. CONCEPTS OF POLITICAL AND COMMERCIAL INSURGENCE

“**Political Insurgence**”<sup>73</sup> refers actors tied to regional guerrillas, today classified as terrorists. These exists quite clearly in Colombia and its peripheries but are not restricted to only these cases, given that nothing in the Latin American region indicates that they are the only armed political insurgencies on the continent. Without looking any further, the Zapatistas in Chiapas have produced conditions that falls under this parameter and the reappearance of *Sendero Luminoso* is an armed threat that is already operative.

We understand that Colombian-style insurgence has deviated from its purely drug trafficking activities, given that it not only protects but also takes on a protagonistic role. We shall observe, therefore, that the concept of support networks still applies here, but today it easily blends in with the alternative concept of political insurgence.

When the dividends of guerrilla participation in drug trafficking reach present levels, the political nature of the groups loses ground and the profits and power in and of themselves become valid motives.

The second actor, which we have identified as **commercial insurgence**,<sup>74</sup> groups together all sorts of illegal activities, commonly designated as organized crime, which do not possess a political agenda, but rather are governed exclusively by profits.

In the quest to profit from illegal activities these groups interact with the political sector by means of corruption of government officials at first, and later through the system at large as an end goal, and they frequently operate with a political agenda in order to further their business.

Both groups are dangerous and require the formation of the areas that we know as lawless.

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<sup>73</sup> Here Steven Metz’s classifications are reintroduced with modifications, in “The future of Insurgency” (December 1993), on spiritual and commercial insurgency: “Two forms of insurgency are likely to dominate the post-cold war world. Spiritual insurgency is the descendant of the cold war-era revolutionary insurgency. It will be driven by the problems of modernization, the search for meaning, and the pursuit of justice. The other form will be commercial insurgency. This will be driven less by the desire for justice than wealth. Its psychological foundation is a warped translation of Western popular culture which equates wealth, personal meaning, and power.”

<sup>74</sup> Clearly, the Brazilian-Paraguayan-Argentine Tri-Border Area fits into this rubric.

It is worth pointing out that, although some components are common to all, characteristic traits may be identified as per the formation of each lawless area, be it product of political or commercial insurgency.

On the one hand, terrorist movements (political insurgency) powered by drug traffickers and supported by particular geographical features, generate their own spaces to which the state has no access, in general due to its practical inability to control geographically difficult territory and because of the tenacity of these groups' armed resistance. In these cases the state, although steeped in corruption, is victim of processes that it cannot control and the lawless area becomes a haven for revolutionary wars.

In this case it will be the drug trafficking guerrilla who spearheads the formation of the areas in which, later, organized crime<sup>75</sup> (arms, products, drugs, etc.) is able to establish cells of operation—without forgetting that in other cases the formation of said cells of the network will instead begin with organized crime and use corruption of government officials as a primary tool. As opposed to political insurgency, organized crime does not seek the destruction of political power, but rather its adaptation to its own purposes, although its corrupting action disintegrates the state from the inside out, favoring the political motives of its occasional partners.

Once lawless areas are established, whether as a product of terrorism or of organized crime, these areas become poles of attraction for illegal agents, be they traffickers or terrorists, serving as sanctuaries or temporary refuges, as well as for the creation of cells in the complex network that we previously described. A true “service area” for the world of terrorism and criminality, where everything is for sale and available.<sup>76</sup>

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<sup>75</sup> It is important to remember here the case of Fernandinho Beiramar, Brazilian drug trafficker who operated in conjunction with FARC, running his business activities Pedro Juan Caballero in Paraguay, and who was later captured by the Colombian authorities.

<sup>76</sup> Julio A. Cirino and Silvana L. Elizondo, “Áreas sin ley: orígenes del fenómeno y percepciones de amenaza,” (presented in the panel “Lawless Areas and Emerging Threats,” Center for Hemispheric Defense Studies, Research and Education in Defense and Security Studies, Santiago, Chile, October 28-30, 2003).

## **F. LAWLESS AREAS, THE TRI-BORDER REGION AND TERRORISM**

If we examine the phenomenon of symbiosis from the perspective of a terrorist organization, the analysis will focus on questions of economic mobility of the operation. As previously mentioned, while in past decades these groups enjoyed generous financing, logistic support and training provided by certain states, all of these elements have today become merely “costs to cover.” Thus, the difference between criminal motives and political ones is increasingly nebulous.

For this reason, terrorism and organized crime may today be studied on the same plane, the two converging toward a central point at which an organization can simultaneously exhibit characteristics of both terrorism and criminality.

Recent years have been marked by an increase in the number, quality and geographic expansion of alliances, those of criminal groups uniting with terrorist organizations as well as vice versa. These “agreements” can be short or long –term and usually have very specific goals (a certain route or knowledge related to money laundering or explosives) and are maintained only as long as they remain necessary to the predetermined objective.

The most common partnerships occur within the environment of drug smuggling (Mexican cartels with Colombian ones or with the Russian mafia, for example) but are not limited to this. They also happen with: false documentation for Islamic groups, counterfeit money, trafficking of people, arms and explosives, all within operations that are increasingly sophisticated and that cross borders and even continents. Complex networks of bank accounts and powerful systems of cryptography assure the movement of money and communications.

Nevertheless, and despite all of the above, criminal groups and terrorists prefer to avoid forming alliances, given that they often lead to security problems, priority and strategy discrepancies, mistrust and fear that an alliance might strengthen tomorrow’s competitor. The formation of self-contained structures or else the outsourcing of discrete services, like transport or drug distribution, is generally preferred.



The growing inclination of terrorist groups toward criminal activities began to appear as a definite tendency at the beginning of the 1990's; criminal groups simultaneously participated in the political scene in order to manipulate operating conditions in their favor within a growing number of weakened states that were vulnerable to coercion or corruption.

Criminal Gangs as well as terrorist groups may evolve simultaneously showing reciprocal characteristics, up to the point of seeming to be hybrids with the potential to move from one extreme to the other.

The Tri-Border zone has been characterized as a lawless area, even though strictly speaking what is found there is *state dysfunction* of states that cede their powers, both legally and practically, to economically and socio-politically powerful groups. These groups lobby directly or tacitly—and effectively—to continue the status quo that allows two types of situations to continue: the formal existence of the state combined with its weakened application of sovereignty on one hand, and, on the other, the existence of a parallel state formed by the tides of interests that are largely economic but also ideological and political.

#### **G. TERRORISM, ARMED FORCES AND THE TRI-BORDER AREA-CURRENT SITUATION**

At this point we have already discussed terrorism, as well as various aspects of the Tri-Border region, and now the moment has come to delve into the functions that the Armed Forces might serve in this new theater of operations, in which it breaks out of its classic roles that has been mystified by civil society, the “standard” point of view on the Armed Forces.

#### **H. NEW PARADIGMS IN MILITARY FUNCTIONS IN THE TRI-BORDER REGION**

It is irrefutable that the Armed Forces, over time, have undergone modifications in their functions as well as, of course, its systems of training and value transmission.

It is also clear that these modifications vary within the same time period where the geopolitical theater is different and thus now nobody doubts the necessity of the concept of *military re-engineering*. It is also not disputable that the military's goals vary as per

the society it exists within<sup>77</sup> and, therefore, its interests and solutions are different in industrialized countries from in developing ones, in Western culture from in Eastern ones, and as according to political interests. All in all, the Armed Forces respond to the social requirements in any given time period and specific historic space.

Next, we will briefly review what we consider important to hold in account in order to place ourselves in the context of the Armed Forces' new functionality and, consequently, in order to create teams of Officers that are prepared to confront effectively confront the current realities. Thus, the following sections are directed toward Armed Forces or civil service use.

### 1. Diversity of Missions

In the Southern Cone (and Argentina more closely) the new functional focuses of the Armed Forces have been debated amply, although the principal or primary mission of the military remains the same: to act dissuasively, employing its means effectively, in order to protect and permanently guarantee the vital interests of the nation in the face of external aggression. To this traditional role other missions are added, in accordance with the new demands presented by the current strategic scene.



Figure 6. Extradition of the Drug Trafficker Ivan Mendez Mezquita

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<sup>77</sup> According to the speech presented in *FAES*, on November 4, 2003 by Ignacio Cosidó and Rafael L. Bardaji, **en [www.gees.org](http://www.gees.org)**: “The transformation of the Armed Forces is being imposed in all developed countries by a double factor of change: the evolution of threats and that of technology. The armies that are heirs to the cold war system must therefore transform themselves in order to guarantee our security in an environment that is radically strategically different within which technological development is increasingly dynamic.”

These missions will be based upon available capacities and will be held to the criteria that they must contribute to the action of the state in relation its strategic interests, in concordance with world peace and in congruence with the international and national community in their efforts to improve quality of live. These complementary missions will be combined with the principal mission but will not substitute it.

The other missions of the military that comparative study indicates are:

- Participation in peace operations and/ or multinational coalitions under the mandate of international bodies;
- Participation in security operations in conformance with the laws that regulate them;
- Participation in the development of military cooperation measures, in the promotion of mutual trust and others within the regional and international framework, in order to prevent conflict situations;
- Search and rescue;
- Humanitarian aid;
- Community support;
- Contribution to the preservation of the environment;
- The fulfillment of other tasks assigned by the government.



Figure 7. Soldiers in search of the powerful godfather of the FADH YAMH border

## 2. Use of Military Force: Drug Trafficking, Eco-Crimes, Smuggling, and Terrorism

Most drug trafficking involves the commission of several punishable deeds that one way or another tangentially invade the military sphere (i.e., the militarization of zones, arms trafficking, the violation of air space, the large-scale movement of citizens).

Often, only the military is capable of executing low-intensity procedures and actions quickly and with useful results, while regarding the quality and quantity of the adversary.<sup>78</sup>

The crimes or offenses of an ecological ilk are now approached very seriously because of the fact that natural goods are (and always have been), the fulfillment of society's necessities, in and of themselves, be those societies capitalist, socialist, or of any other ideology. Natural goods should therefore be preserved in order to avoid their shortage or total destruction. Recently, the Secretary of the Environment, the Management of Migration, and the District Attorney's office initiated *Operation Sovereignty*,<sup>79</sup> with the support of the police and the Armed Forces.

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<sup>78</sup> In Paraguay, December 1995, by order of President Wasmosy, the Armed Forces, and later by the National Police, Operation Ñemopotí was launched to combat smuggling in the border zone of Ciudad del Este. The governor of Alto Paraná, Carlos Barreto Sarubbi, was named coordinator of Operation Ñemopotí, and Gen. Cesar Concepcion Ferreira was named Commander of the Forces of Joint Tasks.

Operation Ñemopotí, which means *cleaning* in the Guaraní language, involved the control of vehicles and documentation, but its most critical point was reached with the bombing of alleged smugglers' air strips by the Air Force. On December 6, Colonel of Aeronautics Cesar Alfonso commanded an air raid on the "El Porvenir" runway, located in Puerto Indio, Alto Paraná.

<sup>79</sup> As an illustration of this point, in the newspaper *La Nación* on Sep. 9, 2005, page 5, Minister of Defense Dr. Roberto Gonzales sustained that "...we believe that the support we are receiving from the Armed Forces is very important in the region of Chaco, besides the fact that we have a road project there to link Corumba and Peralta, and that is why a asked the president to install this detachment definitively over the Paraguay River..."



Figure 8. Brazilian soldiers, detaining “mules” in the Tri-Border Area.

Terrorism, as it is understood today as a real and serious threat, is a latent focus of military attention, not in the traditional sense of military functions, but rather first from a modern and efficient point of view, which requires the application of modern techniques and technologies available, which should be accessed (in certain cases) by the Armed Forces.

Smuggling, for its part,—taken from a common perspective and not from a technical one—brings, in itself, an ideal means to commit or perfect the crimes previously stated, because the vulnerability of our borders makes them prone to this kind of activity. It also brings with it innumerable related actions like the ones we have indicated—with respect to the entry and exit without surveillance, tracking, and effective combat of products, goods, and people that do not comply with the established legal control regulations—which would attempt to turn our country into a ‘no man’s land,’ converting public order into something less than simple rhetoric.<sup>80</sup>

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<sup>80</sup> In the previously stated senses, the subtitle of the article “Trafficking required the installation of another military base in Chaco” is still exemplificative: *“illegalities of all kinds on the border with Brazil obliged the Government to install an outpost of the Armed Forces in Carmelo Peralta, Alto Paraguay.”*

### **3. Civil Assistance**

As General Grange said it well,<sup>81</sup>

Even if the support of the nation frequently finds itself overshadowed by the important mission of defense, military support constitutes a vital mission of long a tradition which continues to grow. We know this from the number and variety of domestic disasters and incidents which the Department of Defense (DOD) has responded to in recent years. The extensive support that service and defense agencies give is important to minimize the loss of lives and goods during the aftermath of operations that frequently are carried out without making a public show of them.

In our country, the infrastructure, skills, order, know-how, qualified personnel, social acceptance, and a greater capability to deploy make the military forces suitable to civil assistance and aid in specific, regulated cases.

In countries like ours, where institutions that should be directed to assistance, aid, support and resolution of problems, and civil order conflicts have little or negligible impact on the corrections or solutions, the military stratum has been—often unconstitutionally—required to contribute in these situations (the great growth from 1.92/83, the Detour of Pilcomayo in the 1980's and 90's, the great drought of Chaco at the end of the last millennium and the beginning of this one, and even the fire of Ycua Bolanos in 2004).

It is doubtless that for the Military to operate efficiently and for its relations with the civil class be fluid and productive, it is necessary to create a board of officials that are highly qualified for these activities. We will look more at this in its respective section.

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<sup>81</sup> Major General David L. Grange of the US Army is the director of operations, readiness, and mobilization in the Headquarters of the Department of Defense, and Lieutenant Colonel Rodney L. Johnson of the US Army serves on the Board of Directors of Military Support of the General Staff of the Army.



Figure 9. Ambassador Keane and the military aid in Paraguay. In particular, the Assistance to the northern zone of the eastern region of the country.

## I. NEW GLOBAL FUNCTION OF THE MILITARY/ POLITICAL FORCES

Beyond simple rhetoric, it is well-known that all political and social orders require stability, security—complete and real security—and development, and even more so if they are considered on a global level. These principles should be the guiding star of any institution or state that prides itself on watching over the validity of a worldwide *status quo* that allows for the dignified development of the human race.

Institutions like the UN and some sovereign states like the US have demonstrated their importance and necessity in the protection and preservation of human values throughout the globe. They are politically determined in the respect of democratic, economic, social, and cultural principles that correspond to each and every citizen in all parts of the world. It would constitute an individualistic, retrograded vision to think that the ills of our neighbors are their concern only because, on one hand, ethically there is an imperative of solidarity and fraternity between states, and on the other hand, reasons of useful international policy dictate that ills and dangers spread. Therefore, it would be foolish to not take concrete steps against such deeds as those studied in this report.





Figure 10. Recent meeting in Asunción between Secretary of State Donald Rumsfeld and President Nicanor Duarte, Vicepresident Castiglioni and the American Ambassador in Paraguay, Keane.

## **J. COURSES OF ACTION**

The joint tasks undertaken by the US as well as by Brazil, Paraguay, and Argentina in the Tri-Border Area have demonstrated that cooperation allows for greater control and efficiency when establishing guidelines for international conduct in relation to the confirmed situations that have to do with organized crime, violations of sovereignty, and monitoring of people and goods on the edge of legality.

The American presence on Paraguayan soil, even though it has been objected to politically by the MERCOSUR nations, has undeniably sent a clear message to dormant cells of international terrorism: the United States will not leave an ally<sup>82</sup> threatened by the force of zones which are open to political or commercial insurgence.

As of the date of this report, Ciudad del Este presents a rather different panorama from the one it presented a decade ago: piracy has diminished considerably, civil forces in the city have undertaken campaigns of social and economic restructuring, the Itaipu

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<sup>82</sup> And we could debate if we should call it a “victim” nation here.



power plant has undertaken plans for tourist development, the countries involved share information more quickly and efficiently than before...but there is still a lot to be done.

It is important to accelerate reforms through joint courses of action between the countries of the 3+1 group in an equitable manner, while strengthening Paraguay, which is evidently the most vulnerable nation. But, at the same time, this must be done with financial incentives for private investors who, in short, will also benefit from fighting crime in general (be it smuggling, piracy, etc.).

It is undeniable that the lawless zones are as they are largely because of needs which go unmet by the state and by private investors. They are consequently fulfilled by organized crime which spares no effort to “show immediate results” to the locals, who are thus easy prey for these criminals. This issue should be combated with *presence, effectiveness, education, and investment*.

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## VI. CONCLUSION

From this brief study, it is clear that the Tri-Border Area is highly vulnerable to the penetration and development of interests, which are linked to illegality, and thus it is also vulnerable to terrorism.

In this same way it cannot be denied that legal and economic insecurity isn't the only evidence to back up the previous statement, the Brazilian migration flow as well as that of Arabic origin, the region's strategic geopolitical location, and the presence of three disparate systems of sovereignty and legislation permit that these circumstances could eventually be taken advantage of by requiring that they mimic each other and that they shift constantly.

It has been proven, even within the Southern Cone itself, that terrorism isn't a distant evil belonging to others who have to be fought as well. In multilateral meetings, the following objective has been established: *“Combating the mechanisms of financing terrorism. To this end, it is vital to establish the necessary market regulations to prevent and punish money laundering. Moreover, it's necessary to categorize and adequately sanction other criminal acts frequently associated with terror financing, such as kidnapping, arms trafficking, piracy, and drug trafficking.”*<sup>83</sup>

We have been able to note that, until a few years ago, the Tri-Border Area has been subjected to the Rule of Law of the adjoining countries to a limited degree,

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<sup>83</sup> This was said in the Special Group on Terrorism during the Third Plenary Assembly of FIPA which held sessions in the seat of the Chilean National Congress in the city of Valparaíso on April 1-2, 2004. This statement was made in a preparatory meeting of the Second Specialized Congress on Terrorism in the seat of the Organization of American States in Washington, D.C. on October 15 and 16. On this occasion, the Ministers recommended the creation of an Inter-American Committee against Terrorism to the General Assembly of the Organization of American States. This committee would be made up of national authorities of the Member States and would intend to develop cooperation between them in order to prevent, combat, and eliminate terrorist acts and activities. The functions of this committee will be based on respect for the sovereignty of the States and for human rights, and on not intervening in the internal affairs of other countries. One of the missions of this committee would be to create a database of “people, groups, organizations, or movement linked to terrorism. Also, the delegates supported the development of technical training programs for measures of prevention and repression of terrorist acts on the continent. Furthermore, they declared their support for closer ties of cooperation between the migration authorities.

particularly in Brazil and Paraguay. This has favored the development of economic activities whose structures and purposes are linked to illegal activity, and, in this area, with connections to terrorism, or at least with some of its components.

After September 11, one could observe progressive and decided intervention by the group known as 3+1, which has made it possible to diminish the levels of illegal activity and insecurity, offering new prospects for development in the zone. All of this has been done, however, with a lack of decided economic and military investments by the United States, considering that it has been, undoubtedly, the country most interested in the validity of political and social order in the region, in keeping with the norms established by the United Nations.

Despite the growing opinion against control and external intervention in the Tri-Border Area, even among the three governments as global personalities,<sup>84</sup> there exist objective elements that necessitate decided participation in world security on the part of multilateral or national forces, or directly from the United States, within a legal, institutional, fair framework.

Both the United Nations and the Organization of American States have carried out tasks and promoted organizations designed not only for study, but also for the logistical and educational support necessary to combat terrorism and the prior and subsequent ills associated with it. In this context, one can observe progress as well as the need to perform activities that can identify and combat terrorist connections along with those that are “merely” criminal, and in turn, restore the social and economic fabric of the Tri-Border Area.

The ideological questions are not far removed from the panorama of the triple border, and as *Andres Oppenheimer* stated in his article “The Danger of the South

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<sup>84</sup> Nobel Prize for Peace winner, Adolfo Perez Esquivel indicated that: “This is a key point, and it is one of the objectives within the geopolitics of the United States for Latin America, which has to do with the three big axes that are being raised nowadays: the Puebla Plan of Panama, the installation of military bases in Central America and the Caribbean, the Colombia Plan with the Manta military base in Ecuador, and finally, the Tri-Border Area, where they are bringing the ghosts of Islamic terrorism to life in order to have access to set up military bases. But hidden behind all of this are big economic and geopolitical interests like the Guarani aquifer, which is the large reserve of water which belongs to the countries of the region: Brazil, Paraguay, Argentina, and Uruguay, which is related to the Plata basin, and which are some the greatest reserves in the world. The World Bank, the United States, and big transnational companies have their eye set on this reserve, which is the fundamental axis of the interests being managed, just as is everything which corresponds to the ecosystem, the natural resources of our people.”

American-Arab League Summit,” published originally on March 29, 2005 in the *New Herald*, “*the Bush administration was bothered by the growing rapprochement of South America to China, Russia, and ‘Old Europe’ last year. He should prepare himself for the latest development: the first South American-Arab League Summit...*” Even though this summit did not decide anything definite, it made it clear that it did not share the opinion of the American government regarding the characterization of Arab immigrants in America as “terrorists” or give this topic the same priority.

Due to all of these factors, it is necessary that the characterization of cases be well determined—but on the other hand, the *barakat case* has been summarily important, even though it was tried for tax evasion and not for terror financing (an inexistent concept in Paraguayan law)—in order to consider the “*American point of view*” more objectively (despite the great deal of resistance born of an *anti-imperialism* concept or of a leftist leaning) if we are to say that South America dominated in the past two decades, principally since the loss of validity of the ideology of the *Security of the State* which was in place until about the middle of the 1980’s.

It has been demonstrated that the Tri-Border Area has been used for sending or remitting large sums of money outside the zone, but the money’s final destination could be identified in only a few particular cases. This makes it clear that illegality has been a constant in the zone, generally placing this area’s observation and control as second priority, which is very different from other centers of operations like the Near East or Europe.

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## APPENDIX A. PARAGUAY'S RATIFICATION OF DIFFERENT INTERNATIONAL AGREEMENTS ON COMBATING TERRORISM<sup>85</sup>

AGREEMENTS / PROTOCOLS	Obs.	No. Law	Commission Report RREE	Treaty in Plenary Session of Senate	Sent to Members of Congress
1. Inter-American Convention against Terrorism (OAS)	Message PE 758 07/30/02	2302/03	Passed 07/23/03	Passed 07/31/03	Passed 10/30/03
2. Convention against Transnational Organized Crime (UN)	Message PE 814 11/04/02	2298/03	Passed 07/23/03	Passed 07/31/03	Passed 10/30/03
3. International Convention against the Taking of Hostages (UN)	Message PE 604 11/20/01	Pending	Passed 12/19/01	Passed 10/16/03	Message 115 10/23/03
4. Agreement for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (IMO)	Message PE 696 06/13/02	Pending	Passed 10/22/03	Passed 10/30/03	Message 133 11/06/03
5. Convention to Prevent and Punish the Acts of Terrorism Taking the Form of Crimes against Persons and Related Extortion that are of International Significance (OAS)	Message PE 643 03/13/02	Pending	Passed 10/22/03	Passed 10/30/03	Message 134 11/06/03
6. Convention on the Marking of Plastic Explosives for the Purpose of Identification (ICAO)	Message PE 623 12/11/01	Pending	Passed 10/22/03	Passed 10/30/03	Message 135 11/06/03
8. International Convention for the Suppression of Terrorist Bombings (UN)	Message PE 585 10/29/01	Pending	Passed 10/22/03	Passed 10/30/03	Message 137 11/06/03
9. International Convention for the Suppression of Financing of Terrorism (UN)	Message PE 603 11/20/01	Pending	Passed 10/22/03	Passed 10/30/03	Message 138 11/06/03
10. Protocol to Prevent, Repress, and Sanction the Trafficking of Persons, Especially Women and Children, that Complements the Convention against Transnational Organized Crime	Message PE 814 11/04/02	Pending	Passed 03/03/04	Passed 03/04/04	

<sup>85</sup> According to information provided by the Ministry of Foreign Relations, accessible through their webpage [paraguaygobierno.gov.py](http://paraguaygobierno.gov.py), (accessed August 2, 2004).

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**APPENDIX B. NEWS ARTICLE FROM THE PAPER *ABC COLOR*,  
JULY 14, 2004**

## **A Corrupt Army Has Taken Control of Puente de la Amistad Again**

**CIUDAD DEL ESTE (From the original version).** An army of “controllers” from different institutions are positioned on the primary zone of Puente de la Amistad. The majority of them are recommended by politicians from Asuncion, and their only mission is to ask for bribes. Every day, like birds of prey, they pounce on the people that circulate on the footbridge with all types of merchandise. The victims are almost always foreigners. This attitude contributes to the chaos in Puente de la Amistad and every day it frightens off possible buyers and investors.

Shortly after Nicanor Duarte Frutos assumed the presidency, the number of public officials in the primary zone of Puente de la Amistad diminished considerably. This, from the Head of State who had promised to end the pokarê (bribe) system.

Everything returned to normality on Puente de la Amistad. President Nicanor Duarte Frutos had promised to end this practice. Here, officials of Puertos are conducting a “control.”

Nevertheless, this jumpstart to legality continued to thin bit by bit and now there is a veritable army of bribers are operating in the region again.

An official from the National Administration of Navigation and Ports is searching the trunk of a car that is entering Paraguay. According to regulations, only Customs employees should be in this zone of the bridge.

In accordance with regulations, only Customs should conduct controls, while soldiers should be in charge of security, especially on the bridge.

However, in the primary zone, the National Administration of Navigation and Ports conduct controls, as well as mariners and officials from Dinatran, Immigration, the National Police, the Ministry of Agriculture and Livestock, and the Local Police, among others.

All of the officials conduct “controls with the singular objective of asking for bribes of those who travel through the international crossroads.

To this army of public officials one must add individual people, who are known as “secretaries” who also perform controls for their bosses and demand their “tips.”

The “controllers” are always fishing. In the tourism office of Foz de Yguazu, Brazil, complaints are received daily from tourists, but they cannot do anything to help the victims.

The office of tourist information in Foz de Yguazu, just like the Federal Police in its neighboring country, has a series of reports of abuses that the public officials in Puente de la Amistad commit.

The same people are unfortunately kept confidential by the Brazilian authorities, while in other cases they don't keep registration of these deeds, alleging that it is not within their jurisdiction and that they cannot do anything about it.

## **NEITHER TOURISTS NOR INVESTORS**

The massive presence of public officials contributes to worsening the chaos that exists on the international footbridge. Crossing the bridge implies undertaking an odyssey. The true tourists that arrive in mass in Foz de Yguazu do not wish to cross all the way to Ciudad del Este as a result of this anarchy, while the potential investors flee from the zone, considering this situation as well.

Migration officials, among other public institutions, take control of the primary zone of Puente de la Amistad.

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